

Nation's Business®

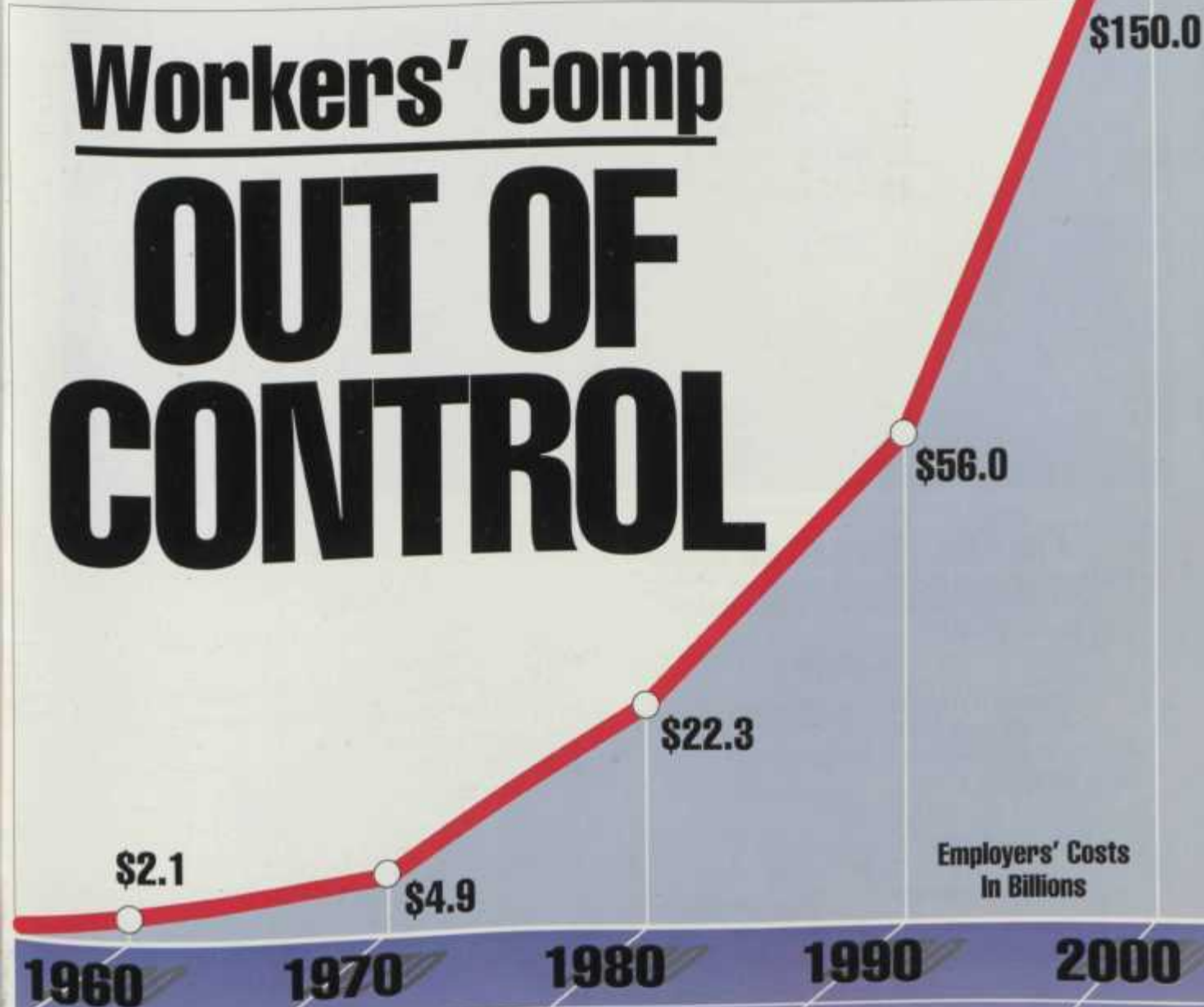
Published by U.S. Chamber of Commerce - \$2.50

**Make Your Work Force
A Winning Team**

**Small Business Gets
Into The Olympics**

**Marketing To
Ethnic Groups**

Workers' Comp **OUT OF CONTROL**



JULY 1992



0 71486 02685 3

COMFORT.

Only one of the reasons people are climbing out of their imports.



The 1992 Buick Regal Sedan

The Regal Sedan for '92 truly defines American comfort and quality.

Spacious

The leg- and headroom are generous in every seat. And you'll find the rich optional leather seating areas inviting to the eye as well as to the touch.

Smooth

Smooth and agile, Regal's advanced DynaRide® suspension delivers the ride you expect from a premium American motorcar.

The security of available anti-lock brakes and dual ComforTemp climate control add to your comfort.

Quality

Regal also delivers something no other car in its class can offer—Buick quality.

To learn more about the comfort and quality of the Buick Regal, sit back and enjoy the ride with a test drive at your local Buick dealer today, or call 1-800-423-6787.



Buckle up, America!
©1992 GM Corp. All rights reserved.
Regal is a registered trademark of GM Corp.



BUICK

The New Symbol For Quality
In America.





After six weeks in the hospital, Tommy was cured of osteomyelitis.

But not without complications.

As any child psychologist will tell you, a long hospital stay can be traumatic for a child.

So instead of sending children with osteomyelitis to the hospital for six weeks, one managed care group found a better way.


Parents can be taught to administer the simple intravenous treatment at home, with periodic checks by a visiting nurse. Providing the same level of clinical care, while greatly reducing both the emotional and financial burden on the family.

It's just one example of how managed care is proving

to be the most promising direction in our health care system. And why The Prudential is actively trying to expand the use of managed care throughout the country.

Because we don't think anyone's view of health care should be the one pictured here.

To find out more, write:
New Approaches to Health
Care, The Prudential,
751 Broad Street, 16th Fl.,
Newark, N.J. 07102-3777.

The Prudential 

© Copyright 1991 The Prudential Insurance Company of America

Nation's Business

Published by
U.S. Chamber of Commerce
Washington, D.C.



PHOTO: RICHARD DINE

Manufacturer Robert Boucher had to close his company until a sixfold increase in his workers' comp premium was rolled back. His experience reflects the perilous condition of the benefits system. *Cover Story, Page 22.*



PHOTO: SHIRLEY WHEELER—BLACK STAR

Michael Ghafouri is one of the many entrepreneurs who succeed by marketing to ethnic groups. *Marketing, Page 39.*

COVER STORY

22 Workers' Comp Costs: Out Of Control

Fraud, abuse, and unrestrained medical costs have pushed the workers' compensation system to the brink of self-destruction. Reform efforts have succeeded in some states.

MARKETING

31 Small Firms' Road To The Olympics

By sponsoring events, providing services, and hiring athletes, small companies can gain valuable exposure while supporting the Olympics.

39 The Move Toward Ethnic Marketing

Across America, small businesses increasingly are seeking opportunities to serve the tastes and needs of the nation's burgeoning minority groups.

40—*Tips On Marketing To Minorities*

41—*Sources Of Marketing Data*

MANAGING

36 Turn Your Workers Into A Team

The push for quality is driving team-building efforts in small and mid-size firms.

37—*For More Information*

38—*Seminars On Quality*

MANAGING

57 Topics To Avoid With Applicants

To steer clear of discrimination suits by job seekers, rule out these 10 areas in your interviewing process.

FINANCIAL MANAGEMENT

42 A Capital Option: Finance Companies

Many small firms that find bank financing too costly or too hard to get are turning to finance companies.

47 When It's Time To Sell The Firm

Here are step-by-step tips to help you when you decide to sell your company.

SMALL-BUSINESS COMPUTING

44 Big-Time Image Enhancement

Is it time for you to move to desktop publishing? Here's help for making your decision.

60 Handy Mice And Good Deeds

An ergonomic trackball, a place that welcomes used computers, and the latest in E-mail, scanners, and information management.

LEGISLATION

46 Franchising Measures

Legislation to strengthen regulation of franchising is introduced in Congress, and a new law is challenged in Iowa.

FAMILY BUSINESS

52 How Successors Cope With Stress

The conflicting roles of a successor; tracing your roots through history; the next generation on the farm.

LESSONS OF LEADERSHIP

55 Lighting A Fire Under The Fired

Outplacement pioneer James Challenger tells discharged executives to pound the pavement—and look for a boss they can like.

REGULATION

59 A Scrap Over Superfund

Some scrap-metal recyclers complain they are unfairly held liable for pollution caused by their customers' actions.

WHERE I STAND

72 On Workers' Compensation

Results of this poll on the workers' compensation system will be provided to leaders of Congress and the Bush administration.

Editor's Note

Those Who Could Fix It Don't Understand It



PHOTO: SKIOLTON

Olympic trials are gateways to marketing opportunities for small companies. Marketing, Page 31.

DEPARTMENTS

- 4 Letters
- 6 Entrepreneur's Notebook
- 8 Managing Your Small Business
- 18 Dateline: Washington
- 19 Making It
- 62 Direct Line
- 64 For Your Tax File
- 65 It's Your Money
- 68 Classified Ads
- 73 To Your Health
- 74 Congressional Alert
- 75 Editorial
- 76 Free-Spirited Enterprise

Cover Design: Deborah J. Humphries

Nation's Business (ISSN 0092-0470) is published monthly at 1015 H Street, N.W., Washington, D.C. 20002-2090. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-5440. Copyright © 1992 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, \$22; two years, \$32; three years, \$46. For Canadian and other foreign subscriptions, add \$20 per year. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. POSTMASTER: Send address changes to *Nation's Business*, 4940 Nicholson Court, Kensington, Md. 20885. To inquire about your subscription, or to make a change of address, please call 1-800-638-8552, or in Maryland, 1-800-362-1450. Photocopy Permission: Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 21 Congress St., Salem, Mass. 01970, to photocopy any article herein for a flat fee of \$1.50 per copy of each article. Send payment to the CCC. Copying without express permission of *Nation's Business* is prohibited. Address requests for back reports to *Nation's Business* Reprints, 1015 H Street, N.W., Washington, D.C. 20002-2090, or call (202) 463-5877. ISSN 0092-0470/92 \$5.



PHOTO: SEVERETT JOHNSON-FOLD INC.

Some state legislatures are attempting to reform the workers' comp system. Others are lagging.

Workers' compensation is rarely in the headlines, but it is one of the issues that small businesses list among their concerns. That's why we cover it continually and in depth for our readers, most of whom need relief from the runaway costs of this mandated insurance program.

We've reported for several years on problems that have developed in the compensation system.

Our expert on this subject is Roger Thompson, an assistant managing editor who also covers employee benefits. He is the author of this month's cover story, and his in-depth knowledge of the workers' compensation issue gives him a valuable perspective. From his continuing research on the subject, he has concluded that "one of the biggest problems facing workers' comp reform is that state legislators, the very people who have the power to fix a badly broken system, don't understand it. Most don't run businesses and have no firsthand experience with the system's uses and abuses."

And if the lawmakers seek advice from business and labor, they get conflicting recommendations for reform, he adds. Thompson explains: "Labor typically argues that business-backed reform efforts are thinly veiled attempts to cut benefits. Business argues that the present system's vulnerability to fraud and abuse must be curbed. Legislators faced with the opposing views often don't know what to do, so they do nothing."

The outlook isn't all bleak, however. This article not only puts the problem in perspective but also offers potential solutions.

This month's issue also contains the first of the reports on the impact of specific federal regulations on the operation of small businesses (Page 59). We invited readers to let us know about government controls that they find particularly threatening. While the specific rules and the types of businesses they affect will change, most readers will identify with the problems.

Robert T. Gray
Editor

Nation's Business

Letters

The United States Chamber of Commerce, publisher of *Nation's Business*, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD

H. William Lorton

PRESIDENT

Dr. Richard L. Lesher

SENIOR VICE PRESIDENT/COMMUNICATIONS

Dr. Carl Grant

VICE PRESIDENT/PUBLISHING

David A. Roe

EDITOR

Robert T. Gray

MANAGING EDITOR

Mary McGroves

ASSISTANT MANAGING EDITORS

Terence F. Shea, Roger Thompson

SPECIAL CORRESPONDENT

Sharon Nelson

SENIOR EDITORS

Ripley Hotch, Joan C. Stabo

Albert G. Holzman, Michael Barriar

ASSOCIATE EDITORS

Janet L. Wilson, Meg Whittemore

SENIOR WRITER

David Warner

STAFF WRITER

Bradford McKee

CONTRIBUTING EDITORS

Henry Altman, Julie Candier, John L. Ward,

Craig E. Arnsperg, Jon Pepper, Charles A. Jaffe,

Peter Weaver, Albert H. Ellentuck, Kevin P. Mouth

ART DIRECTOR

Hans A. Baum

SENIOR DESIGNERS

Angela Reed, Kathy Reuter

SENIOR ARTISTS

Kathleen Votter, Deborah J. Humphries

PHOTO DEPARTMENT

Laurence L. Levin, photo editor

Frances Horchardt, assistant photo editor

T. Michael Koss, chief photographer

ART PRODUCTION ASSISTANT

Theodora D. Taylor

PRODUCTION DIRECTOR

Sheila Yoder

PRODUCTION MANAGER

Jeffrey W. Bartlett

PRODUCTION COORDINATOR

Stephanie Osherson

PRODUCTION ADMINISTRATOR

Seetha Armstrong

U.S. ADVERTISING

Robert H. Gotshall, marketing director

(312) 354-1180

Pete McCutchen, Eastern advertising director

(212) 370-1440

Kathleen Brown, administrative

ADVERTISING MANAGERS

Atlanta (404) 293-0140

James M. Yandle

Chicago (312) 346-3526

Terry Kay Nance

Dallas (214) 387-0404

Richard Chalkley

Southfield, Mich. (313) 354-1180

Richard Topous, Michael McNew

Los Angeles (213) 651-1496

Tom Bowman

New York (212) 370-1440

Jerry V. Camporino

Joseph Adduci, Neil Harlan

San Francisco (415) 421-7436

Richard A. Sands

CLASSIFIED ADVERTISING

(202) 463-6640

Jonathan Shonert, manager

Maria Scher, sales representative

INTERNATIONAL MARKETING

(202) 463-6716

Ed Metas Sombol, director

CIRCULATION

Elizabeth A. Allen, director

Lucy Oliver, manager

Lisa Glasco, marketing services manager

PROMOTION AND RESEARCH

Janine Grossman, director

Nancy Swanson, research manager

Gabrielle Fairwell, promotion coordinator

BUSINESS MANAGER

Leonard I. Rippa

The Quality Movement Began In America

One can hardly go anywhere in today's business world without being confronted with a maze of expressions for TQM, or Total Quality Management, all of which used to mean doing it right the first time ["Small Firms Put Quality First," Cover Story, May].

Any self-respecting CEO has at least one book by W. Edwards Deming displayed along with photos of the executive's most recent trip to Japan.

The irony of all this is that TQM methodology was developed along with manufacturing automation here in America over a century before Japan ever heard of quality control.

Conversely, American manufacturing quality pioneers, including Whitney, Terry, John Hancock Hall, and the Jerome brothers, to name a few, had to start from scratch using workers who for the most part had never worked in a factory. These men by the 1830s had developed every aspect of modern manufacturing methods, a feat that placed America in a world leadership role.

It seems to me that instead of trying to convert American workers into Japanese workers, we would be farther ahead to simply use that which was invented in America 150 years ago—still the best manufacturing system in the world.

*Lloyd Hornbostel Jr., Partner
Business Technology Services
Roscoe, Ill.*

A Time To Value Hard Work

As a small-business owner, I work 12 hours a day, six days a week, and get no vacation or sick leave. I have always paid my employees, taxes, and creditors ahead of paying myself. I put quality ahead of profits and take great pride in the work we do.

Unfortunately, I feel that hard work and professionalism are becoming criminal acts punishable by ever-increasing taxes and government regulations.

America's work ethic has been sup-

pressed by government expansionism. Reduce government and promote business, or we will become a Third World country.

Guy Talbert

President

*Acoustic Engineers, Inc.
San Diego, Calif.*

We're Losing The Wrong Member Of Congress

We'll miss dedicated public servants such as Sen. Warren Rudman ["We Cannot Seem To Get It Together," Editorial, May], who has argued against the notion that entitlements are the God-given right of whoever benefits from them.

Mandated spending burdens placed on local governments contribute to a reduced quality of life, as local governments must allocate an increasing share of their shrinking revenue pie to federal and state mandates. We bequeath our heirs a tarnished legacy.

*Edward B. (Woody)
Ryder IV
Centerport, N.Y.*



PHOTO: STERBYA-BE-PILO, INC.

Sen. Warren Rudman

Elect Women Business Owners

The article on the rapid growth of women-owned businesses and the staying power of these firms in the recession is encouraging news for both women and America ["Showing Their Staying Power," May].

The fact that women have trouble obtaining bank financing for expansion and receive only a minuscule number of federal contracts, however, is probably the result of a certain amount of gender bias and the explosive growth of many of these small and medium-sized enterprises.

One obvious partial solution is political empowerment. Any group that numbers 5.4 million owners and employs 11 million people has the makings of a voting bloc with significant influence. Additionally, if female business owners could elect a number of their colleagues to the U.S. Congress and state legislatures, their ability to get federal business and more sufficient credit would no doubt increase.

*George A. Dean
Southport, Conn.*

Further Details On Student Loans

Articles such as "Learning The ABCs Of Student Loans" [It's Your Money, April] perform a valuable service for families who need information on ways to pay for their children's college educations. Federally guaranteed student loans such as PLUS and Stafford loans have grown to become the largest source of this type of aid. But their complexity frequently makes them misunderstood; there are two misunderstandings about the Stafford loan in your article.

The Stafford loan program is for student borrowers only, not for parents. It also does not offer loan forgiveness for borrowers who enter a reserve program or active military duty; those borrowers can defer loans, but no part will be forgiven. There are special programs that will repay part or all of student loans for military personnel, but these are not part of the Stafford program.

Phoebe Hollenbeck

*Vice President and Director
Program Services*

*Northwest Education Loan Association
Seattle*

[Editor's Note: The forgiveness program is specifically an Army program. If someone enlists for active duty in the Army and if he or she has technical skills the Army wants (a test that most enlistees can meet), each year the Army will repay part of what the enlistee has borrowed under government student-loan programs. The annual repayment will be one-third of the loan amount or \$1,500, whichever is greater, until the loan is completely repaid. In other words, if you have a \$15,000 loan balance, the Army will pay off \$5,000 of it every year for three years, assuming you remain in the Army that whole time. If the student borrower enlists in either the National Guard or the Reserve, the limits are 15 percent and \$500, whichever is greater.]

The President Has A Budget Role, Too

The article in your May issue concerning the balanced-budget amendment proposals ["Two Routes Toward A Balanced Budget"] ignores half the problem: the executive branch. While it is true that the budget process is primarily legislative, it is also true that the political and legislative stage is set by the president's budget proposal.

For 11 years, Presidents Reagan and Bush have supported a balanced-budget



PHOTO: GERRY NEWMAN-FOLIO, INC.

Paying for college can be made easier through the use of a student-loan program.

amendment, but neither of them ever submitted a balanced-budget proposal. As you pointed out in your May editorial ["We Cannot Seem To Get It Together"], during those 11 years the national debt quadrupled.

If there has to be a balanced-budget amendment, it should require the presi-

dent to submit a balanced-budget proposal. I believe the balanced-budget amendment, like term-limit proposals, is another attempt at a simplistic quick fix. The country really needs politicians willing to tell the truth and citizens willing to listen to it. Both are in short supply.

*James N. Sicks
Philadelphia*

Ashamed Of Our Leadership

I remember when I graduated from high school in 1974, I was so proud to be able to register to vote. Now, 18 years later, I am ashamed because of the leaders among whom I can "choose." I'm losing my faith in this country because of the kind of leadership we have. Politicians have to "get it together" because it is not the common working people of this country who are messing up.

*Kathy L. Lonsfoote
Hermitage, Tenn.*

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.



Position available. Position filled.

You can't operate a business efficiently without key office support personnel. That's why OfficeMates5 is here for you.

As America's largest permanent office support organization, OMS doesn't recommend candidates until they've earned the OMS designation of approval. Our professional Account Executives evaluate the candidate's personal-ity, skills and career objectives to

best fit your company's precise needs.

When you want a professional who can fill the job, call OfficeMates5. Check your local white pages for the office nearest you.



OfficeMates5

America's Office Staffing Specialists

Entrepreneur's Notebook

By Sheri Poe

To Compete With Giants, Choose Your Niche

Like many entrepreneurs, I risked everything to start my business. I leveraged the house, and I borrowed money from family and friends. In effect, I put my entire life on the line.

But in creating Rykå, Inc., a women's athletic footwear manufacturer in Weymouth, Mass., I was so sure of my gut instincts that I never really considered that I was venturing into the land of

called us insane; the big shoe companies would stomp us right out of business.

But I knew that the big companies didn't offer what I was looking for in a shoe. I had tried virtually every brand during years of working out, only to suffer severe lower-back pain and knee problems that were actually being caused by my sneakers; my feet were killing me.

At that time, women's athletic shoes were sized-down versions of men's; but a woman's body is obviously different, and when she's not wearing shoes designed for her physiology, the constant pounding of a workout will make her more likely to develop nagging injuries.

When other women told me they were experiencing the same pain, I knew there was a market.

What Rykå developed was a fitness shoe built specifically for a woman, a patented design for better shock absorption and durability. By the end of the first trade show we attended—sponsored by the Sporting Goods Manufacturers Association in March 1988—we had orders from several national athletic-shoe retailers. During 1991, our annual sales grew 70 percent, to \$8 million; we expect similar growth this year.

While it was a victory to get shoes to market, that was only the beginning. As a new manufacturer in a big industry, we had a realistic fear that established companies would target us and market us right out of business.

In any industry, the key is to have a strong niche; that way, if anyone copies the product, yours will still be viewed as the original. Staying a step ahead as the megabucks companies attempt to invade your niche is essential to long-term success in a crowded market.

At Rykå, we learned the hard way that it was impossible to challenge the name-brand manufacturers on all fronts. Rykå started with shoes in all categories—running, tennis, and so on. We cut back to aerobics shoes because we wanted to stay focused and didn't have the budget to build several different markets at once. We have since—very slowly—returned to other niches.

We realize there's no competing with the big companies' advertising budgets.

Instead, we've created a grass-roots advertising strategy designed to catch prospective customers without necessarily getting a lot of attention from a more general audience.

In our business, Rykå is unique, a company run by a woman fitness enthusiast making shoes especially for women. But the fact that I sign off on every new design isn't what sells the shoes. A combination of product and marketing brings in new customers.

Our celebrity endorsers are women fitness instructors and personal trainers, people who form what we call the "Rykå Training Body." That group numbers more than 40,000 women who receive product information four to six times a year; they receive discounts on shoes—we don't give shoes away—and we wind up with thousands of students who want to wear the same shoes as their instructors.

Women aren't so influenced by celebrities in ads; they want something that feels good on their feet. If an instructor likes our shoes, pays for them herself, and goes out of her way to wear them, the student is going to want to wear them, too.

In addition, the Rykå Training Body provides us with feedback directly from our target audience, a response that helps us design new styles and continuously improve the product so that the big companies can't catch up.

Rykå doesn't need to be one of the giants to succeed. To make it, we need to maximize our ability to perform within a large industry.



PHOTO: SUE ALLEN/STARS
Fitness-shoe maker Sheri Poe, founder of Rykå, stays a step ahead of major competitors.

giants. If I had, I might still be working for someone else.

Competing with billion-dollar companies is scary, but not impossible. By offering similar products and focusing on the most cost-effective ways to reach a target market, an entrepreneur can carve out a niche that the big guys have overlooked.

The other athletic-footwear companies—you've seen their television commercials—were making athletic shoes for women when Rykå was nothing more than a set of design sketches and a business plan back in 1987. Investment bankers

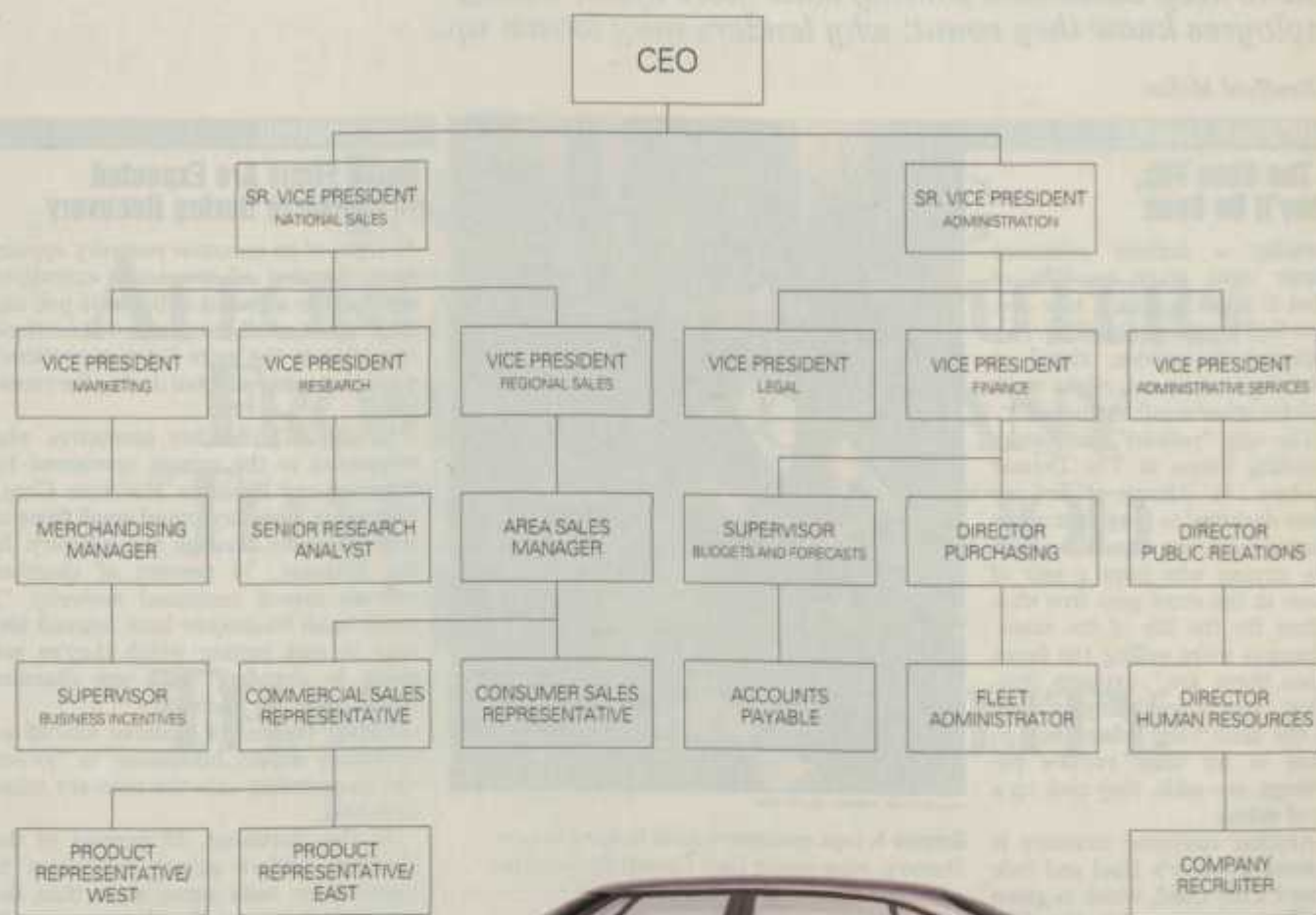
Sheri Poe is founder and president of Rykå, Inc., a publicly traded women's footwear manufacturer in Weymouth, Mass. She prepared this account with Nation's Business Contributing Editor Charles A. Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

What I Learned

Jumping into an established industry shouldn't force an entrepreneur to reinvent the wheel, only to redesign it. Competing with the big companies isn't so scary. There's no reason why a properly conceived and marketed product can't thrive in the land of the giants.

THE EIGHTY EIGHT ROYALE LS CAN ACCOMMODATE ALL THESE PEOPLE AT THE SAME TIME.



© 1991 Oldsmobile. All rights reserved. Oldsmobile

The 1992 Eighty Eight® Royale® LS. It's one automobile your whole company can get into. It's intelligently engineered. For room and responsiveness. Comfort and control. It's anti-lock brakes, cruise control and a driver-side air bag. Standard. It's a 3800 engine fused with one of the smoothest-shifting transmissions on the road. It's powerful. It's fuel-efficient.* And it's the Oldsmobile Fleet Edge™. One of the most comprehensive fleet owner satisfaction programs in the industry. The Eighty Eight Royale LS will fit your company. Perfectly. For more product information, call 1-800-242-OLDS, Monday through Friday, 8 a.m.-7 p.m. EST.

*EPA estimated 18 mpg city/28 hwy. Buckle Up, America!

 Oldsmobile

THE POWER OF INTELLIGENT ENGINEERING.

Managing Your Small Business

How to keep customers coming back more often; letting employees know they count; why lenders may loosen up.

By Bradford McKee

CUSTOMER SERVICE

If The Shoe Fits, They'll Be Back

Keeping a current customer happy costs about one-fifth of what it takes to gain a new one, says Gail Leonardo Sundling. Her approach to service, aimed at retaining customers, might work well for other small businesses.

The only "policies" that owner Sundling keeps at The Delmar Bootery, in Albany, N.Y., are those designed to keep customers coming back, she says. For example, anyone who buys a pair of shoes at the store gets free shoe shines for the life of the shoes. "Because we're selling the finest shoes there are," explains Sundling, "people aren't buying them all the time." But when they do come in for their routine polishes, she adds, they pick up a lot of extras.

Another customer incentive is Delmar Bootery's Heel and Sole Guard Club Card, which is given to the customer with the first purchase of shoes and is good for a free pair of heels and soles after the purchase of six pairs of heels and soles. Customers love it: Sundling gave away 500 pairs of heels and soles last year, but customers receiving the free service had purchased 3,000 pairs. Customers who pay for repairs in advance get 5 percent off their bill. About 40 percent of the store's customers opt for the discount, helping the firm's cash flow.

Sundling's quality-service techniques gained her company recognition as a 1992 state designee in the Blue Chip Enterprise program, which honors small busi-



PHOTO: SCARLETT HUNTER—BLACK STAR

Service brings customers back to her Delmar Bootery, says owner Gail Leonardo Sundling.

nesses that have demonstrated particularly creative and innovative approaches in meeting managerial challenges. The Blue Chip program is sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*.

Her basic management strategies, she says, include training salespeople to please store patrons at any reasonable cost. "I give my people on the floor every bit of my authority" to keep the customers happy, she says, because nothing annoys her as much as a store with discouraging customer-service practices.

customers. In fact, he maintains, "it's the company's responsibility... to identify carefully and continuously who it wants to do business with."

Nicholas Ruben, executive vice president of High Probability Inc., a Philadelphia-based sales training firm, agrees. "Too much energy is wasted on people who aren't ready, willing, or able to buy," Ruben says. He maintains that a company's marketing should be targeted so that salespeople waste no time on poor leads.

COST CONTROL

Small Firms Are Expected To Conserve During Recovery

As signs of an economic recovery appear, most chamber of commerce executives surveyed in a recent nationwide poll say they expect small companies will continue operating in the more "lean or cautious" ways that many adopted during the recession.

Of the 267 chamber executives who responded to the survey, sponsored by International Business Machines Corp., 54 percent said they expect small firms to stay lean even through the recovery. In the Midwest, 74 percent of chamber officials expect continued austerity. "I think small businesses have learned lessons in cost cutting which they're not going to abandon," said one chamber official from the Midwest.

Eleven percent of chamber executives nationally expect businesses to "loosen up" on spending once the recovery takes firm hold.

In the Northeast, 13 percent of the chamber leaders expect businesses to loosen their belts some, more than the respondents expect elsewhere.

LEADERSHIP

A Business In Crisis Has No Time For Democracy

Like it or not, even the fairest and most democratic business leader has to be a "dictator" sometimes, and you have to prepare your team in advance for those moments.

That's the advice of Hap Klopp, a business owner and the author of a recently published book on this subject, *The Adventure of Leadership* (Longmeadow Press, \$18.95).

Klopp founded The North Face, an outdoor-equipment company, which he sold in 1988.

He now owns HK Consulting, in Berkeley, Calif.

At times, such as when your firm faces a crisis, you may have to sacrifice your likability among your employees to make tough decisions, Klopp told *Nation's Business*.

"What you have to do," he said, "is have all your policies and discussions and your compassion and your love worked out with people before the crisis, so they know

Continued on Page 17

SALES

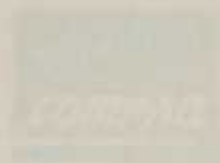
Selling And Prospecting Are Separate Skills

The most effective use of time for an employee in sales, according to some sales analysts, is to spend the time selling—not searching for prospects.

John R. Graham, president of Graham Communications, a marketing firm in Quincy, Mass., says that "the best salespeople are the worst at prospecting."

Graham says that virtually all companies expect their sales employees to find

**INTRODUCING
AFFORDABLE COMPUTERS
FROM THE COMPANY
THAT'S ALWAYS STOOD
FOR MORE
THAN AFFORDABILITY.**



THE COMPAQ DESKPRO/i. SO A LIMITED PRICE LEADS

The company most qualified to advance the state of the desktop computer announces four systems that represent a breakthrough in R&D. At prices that won't ruin your P&L. Reflecting the level of thinking and quality that you've come to expect from Compaq.

At Compaq, there's a fundamental belief held by all of us that when you set extraordinary goals, extraordinary people will meet them.

Recently, for example, you made it clear to us that you wanted new PCs, with everything from advanced graphics to audio capability to affordable prices. Our

response: the COMPAQ DESKPRO/i Family of PCs. Four new systems loaded with features to

enhance productivity.

The built-in COMPAQ QVision 1024 Graphics

times faster than most popular video graphic subsystems. So quickly, as a matter of fact, you may find your computer waiting for you. Instead of the other way around.

Its unique processor upgrade path ensures



Controller, for example, allows you to scroll, re-size windows and pull down menus up to ten

that your PC won't be swept into obsolescence.

Simple chip upgradability and a 64-KB cache

*This service is provided by contracted Service Providers and may not be available in certain geographic locations. Contact the Compaq Customer Support Center for further details.
© 1992 Compaq Computer Corporation. All Rights Reserved. Printed in the U.S.A. COMPAQ DESKPRO Registered U.S. Patent and Trademark Office. QVision and

MUCH FOR THE IDEA THAT TO LIMITED THINKING.

memory module option
provide quantum leaps
in performance. Without

Intel 386/25, 386/33, 486SX/25,
486/33 • QVision accelerated
graphics • Chip upgradability
• Integrated business audio • 4
MB RAM (expandable to 32 MB)
• Cache memory standard • 3
ISA expansion slots • 3 drive bays
• 84-MB to 510-MB hard drive
options • Multi-level security
features • Microsoft MS-DOS
5.0 as published by Compaq.

unfamiliar dimension to
mainstream business com-
puting: your voice. The
result of a collaboration
between Compaq and
Microsoft, it allows you,
among other things, to
actually paste voice mes-
sages into spreadsheets
and documents. Either as
notes to yourself or as
voice-mail across your
entire network.

And we've engineered
this breadth of techno-
logy right onto the PC's
system board, preserv-
ing the small footprint,
large storage capacity
and expansion of the
COMPAQ DESKPRO/i.

Not to mention your
financial integrity.

Add CompaqCare, a
new service and support
program with our free
one-year, on-site* lim-
ited warranty. An Asset
Management Provision
(that gives you and your
network administrator a
snapshot of your PC's
configuration). And you
have nothing short of a
system that breaks a lot
of new ground. Without
breaking the bank.

For more detailed in-
formation, just call us
at 1-800-345-1518, ext.
210 in the U.S., or call
us at 1-800-263-5868,
ext. 210 in Canada.

We bet you'll be as ex-
cited about the COMPAQ
DESKPRO/i as we are.



*In scrolling, window resizing and
accessing menus, our new QVision
accelerated graphics beat the com-
petition by as much as 10 to 1.*



*You can paste voice messages into
Microsoft Windows 3.1 business
documents and spreadsheets with our
integrated business audio system.*

similar outlays of cash.

The fully integrated
audio system brings an
unprecedented, yet not



OUR NEW NOTEBOOK MILLION BUCKS. WHICH C MISLEADING

Recently, our engineers set out to create a remarkably different notebook computer. With all of the quality, durability and features that you need. All at a sensible price. The result, as you can plainly see, is a remarkably different notebook. The new COMPAQ Contura PC.



One of the best things
to happen to notebook
computing since the fold-
down airline tray table,
the COMPAQ Contura

Family of notebook PCs
sets the standard for what
an affordable notebook
ought to be.

Just beneath its sleek,

ergonomic styling lies the
rugged, well-tested, well-
thought-out PC you ex-
pect from Compaq.

No substandard parts

*This service is provided by a contracted Service Provider and may not be available in certain geographic locations. Contact the Compaq Customer Support Center for further details. © 1992 Compaq Computer Corporation. All Rights Reserved. Printed in the U.S.A. COMPAQ Registered U.S. Patent and Trademark Office. Contura and CompaqCare

OK PC LOOKS LIKE A WOULD MAKE THIS THE MOST AD IN HISTORY.

or components. No second-rate manufacturing. No logos stuck on the outside after somebody else's guts went inside.

Thanks to high levels of chip integration and some of the smartest mechanical design this side of NASA, we've managed to engineer costs out and

Intel 386SL/25 with 64-KB cache
4 MB RAM (up to 12 MB) 4 60-
or 120-MB hard drive
Intel 386SL/20 4 2 MB RAM (up
to 10 MB) 4 40- or 84-MB
hard drive 4 Both models: 6.2 lbs.
4 9.5" VGA display 4 Isolated
inverted "T" cursor controls 4 3.5-
hr. NiCd battery (optional NiMH
battery) 4 Microsoft MS-DOS
5.0 as published by Compaq

the right stuff in.

Open either COMPAQ Contura PC and you'll find a large, 9.5-inch screen beaming brightly.

Lay your fingers on the keyboard and they immediately feel at home.

This notebook also has a unique ability to hibernate when left idle, saving all open files to the hard drive and automatically shutting your notebook down. Preserving your remaining battery life. Start up hours, days, or even years later, and you're right where you left off.

In addition to all of the above, the COMPAQ Contura notebook PCs support three internal power-conserving modems from Compaq.

All of which is backed

by CompaqCare, our new service and support program, which includes a free one-year limited warranty good anywhere in the world. And free on-site* service anywhere in the U.S. and Canada.

For information, call 1-800-345-1518, ext. 220 in the U.S., or call 1-800-263-5868, ext. 220 in Canada.

We'll tell you more about it. We'll tell you all the places you can get it. And we'll tell you that you won't find an affordable notebook PC that looks this good and works this well no matter who you call.



Just because you're out of the office doesn't mean you're out of touch. The COMPAQ Contura PC features an optional power-conserving 2400-bps data/9600-bps fax modem.



As well as a uniquely sophisticated power conservation tool, Hibernation also serves as an easy-to-use placemark.



AN INEXPENSIVE PC THAT FROM THE COMPANY THAT

What happens when the best computer engineers in the world design a low-priced desktop PC? You get the new COMPAQ ProLinea Line of PCs, perhaps the best value PCs in the world. What happens when a clone maker designs a low-priced PC? You get what you pay for.

When Compaq engineers set out to build an affordable, full performance desktop PC with

all the essential features, there were a lot of options to choose from.

We could have bought

an existing low-end computer company.

We could have farmed out all manufacturing.

We could have bought parts from the cheapest vendor in town.

But then all we would have ended up with is simply another inferior,



*This service is provided by contracted Service Providers and may not be available in certain geographic locations. Contact the Compaq Customer Support Center for further details. © 1992 Compaq Computer Corporation. All Rights Reserved. Printed in the U.S.A. COMPAQ Registered U.S. Patent and Trademark Office. ProLinea and

IT'S AS GOOD AS A COMPAQ. WHAT OUGHT TO KNOW.

low-priced clone. And what we wanted was a low-priced COMPAQ computer.

Which is what you told us you wanted.

So through some high levels of chip integration and some equally high levels of engineering,

Intel 386SX/25 ♦ small footprint ♦ 2 MB RAM ♦ 2 ISA slots ♦ 2 drive bays ♦ 40- or 84-MB hard drive
Intel 386SX/25 ♦ 2 MB RAM ♦ 3 ISA slots ♦ 3 drive bays ♦ 84- or 120-MB hard drive
Intel 486/33 ♦ 4 MB RAM ♦ 3 ISA slots ♦ 3 drive bays ♦ 84- or 120-MB hard drive
All models include high-resolution 1024 x 768 video and pre-installed Microsoft MS-DOS 5.0 as published by Compaq

design and just plain common sense, we've cut costs in system design and manufacturing.

While still managing to deliver 100 percent of

the virtues you've come to expect from Compaq.

You can choose from three different models, opting for either Intel 386SX/25 or 486/33 processing power.

So whether it's expansion, storage, processing speed or a small footprint that you're most concerned with, there's a model perfectly suited to your needs.

And each comes with a high-resolution 1024 x 768 video system.

Most importantly, the new COMPAQ ProLinea PCs are backed not only by the assurance of the COMPAQ name, but also by CompaqCare, our new

service and support program. Which includes a free one-year, on-site* limited warranty, and a host of other services.

And to go along with our new line of PCs, there's a whole new line of places you can find them. Give us a call for more details.

In the U.S., call us at 1-800-345-1518, ext. 215, and in Canada, just call 1-800-263-5868, ext. 215.

We think you'll be pleasantly surprised at exactly how much the COMPAQ ProLinea PCs have to offer.

And equally surprised by how little we're able to offer them for.



All in all, the COMPAQ ProLinea 3/25s PC sizes up quite nicely. At a mere 12.6" x 14.9" x 3.5", it's one of the smallest footprints in the industry.



All of our models are backed by CompaqCare, our comprehensive new service and support program. For details, just call 1-800-345-1518.



AFFORDABILITY RUNS DEEP.

Affordable prices aren't limited to our new products. In fact, we've lowered suggested list prices by up to 40% on COMPAQ hardware. And even more on our list of options.

In the past twelve months at Compaq, we've incorporated major efficiencies in design, engineering and manufacturing across our product line.

As a result, you'll notice savings on everything from our notebook PCs to our desktop computers to our servers to our extensive list of optional equipment. The right computer at the right price.

The following list includes just some of the COMPAQ products that are now more affordable. Obviously, when it comes to the subject of affordability, we could go on and on. But we'd rather talk to you directly.

Give us a call and we'll tell you where you can find new COMPAQ products, not-so-new COMPAQ products and the new prices for both.

Call 1-800-345-1518, ext. 225 in the U.S., or in Canada, call 1-800-263-5868, ext. 225.

DESKPRO 386s/20N Model 0
◄ DESKPRO 386s/20N Model 1

◄ DESKPRO 386s/20N Model 60
◄ DESKPRO 386s/20 Model 1
◄ DESKPRO 386s/20 Model 60
◄ DESKPRO 386s/20 Model 120
◄ DESKPRO 386/25M Model 1
◄ DESKPRO 386/25M Model 60
◄ DESKPRO 386/25M Model 120
◄ DESKPRO 486s/16M Model 1
◄ DESKPRO 486s/16M Model 60
◄ DESKPRO 486s/16M Model 120
◄ DESKPRO 486s/25M Model 1
◄ DESKPRO 486s/25M Model 60
◄ DESKPRO 486s/25M Model 120
◄ DESKPRO 486/33M Model 1
◄ DESKPRO 486/33M Model 120
◄ DESKPRO 486/33M Model 340
◄ DESKPRO 50M Model 1
◄ DESKPRO 50M Model 120
◄ DESKPRO 50M Model 340

PORTABLE 486c Model 120
◄ PORTABLE 486c Model 210
SLT 386s/20 Model 60
◄ SLT 386s/20 Model 120
◄ LTE Lite/20 Model 40
◄ LTE Lite/20 Model 60
◄ LTE Lite/20 Model 84
◄ LTE Lite/25 Model 60
◄

LTE Lite/25 Model 84
◄ LTE Lite/25 Model 120
◄ LTE 386s/20 Model 30
◄ LTE 386s/20 Model 60
◄ LTE 386s/20 Model 84
◄ SYSTEMPRO/LT Model 486SX/25-210
◄ SYSTEMPRO/LT Model 486SX/25-510
◄ SYSTEMPRO/LT Model 486SX/25-680
◄ SYSTEMPRO/LT Model 486/33-210
◄ SYSTEMPRO/LT Model 486/33-510
◄ SYSTEMPRO/LT Model 486/33-1020
◄ SYSTEMPRO 486/33-420
◄ SYSTEMPRO 486/33-840
◄ SYSTEMPRO 486/33-2040

40-Megabyte Hard Drive
◄ 60-Megabyte Hard Drive
◄ 84-Megabyte Hard Drive
◄ 120-Megabyte Hard Drive
◄ 210-Megabyte Hard Drive
◄ 340-Megabyte Hard Drive
◄ 510-Megabyte Hard Drive
◄ 240-Megabyte Drive Array Pair
◄ 420-Megabyte Drive Array Pair
◄ 680-Megabyte Drive Array Pair
◄ 1.02-GB Drive Array Pair
◄ 1-Megabyte Memory Module
◄ 2-Megabyte Memory Module
◄ 4-Megabyte Memory Module
◄ 8-Megabyte Memory Module
◄ 2-Megabyte Single-Socket Memory Module
◄ 8-Megabyte Single-Socket Memory Module
◄ 32-Megabyte Dual-Socket Memory Module
◄ 1.3-GB Differential Interface Hard Drive....



LEADERSHIP

Continued from Page 8

where you're coming from when you say: "There's no time for discussion right now."

Klopp cited the example of a Himalayan mountain-climbing expedition that ended short of the summit because the leader "took a vote" at the last base camp to choose the final route to the top.

The climbers couldn't agree on a route, he said, and "the whole team fell apart. They never made it to the top."

"Democracy doesn't work at 20,000 feet," Klopp said.

Nor is it necessarily helpful when a business finds itself in a jam.

FINANCE

Bankers Face Less Risk Of Pollution Liability

The U.S. Environmental Protection Agency (EPA) has clarified and limited the liability of banks under the federal Superfund law. Businesses that have had trouble getting loans in the past because of possible environmental concerns on the part of lenders may have less trouble now as a result of the agency's new policy.

Banks have been held responsible for environmental damage on properties they held after foreclosure.

The EPA rule follows the banking community's complaints to the govern-

ment that it was impossible for a bank to keep its security interest in polluted property after foreclosure when the courts would hold the bank responsible for environmental cleanup.

EPA says that lenders can now insist that borrowers operate in an environmentally safe manner, continue working closely with financially troubled borrowers, and foreclose on defaulted loans without immediately assuming liability for pollution cleanup.

The new rule "restores some security to already-beleaguered lenders," says Warren Lasko, executive vice president of the Mortgage Bankers of America.

WORKPLACE

"Those Little Things Have To Be Heard"

Small-business managers who want to stay in touch with their employees might consider some of the methods used by Reliable Cartage Co., a Bedford Park, Ill., trucking company.

This company aggressively seeks employee feedback. George Enguita, the firm's president, says it's important to pay attention to even the smallest details on employees' minds: "Those little things have to be heard."

To solicit workers' views, Reliable distributes a questionnaire to its 117 employees, asking them to rate their company on matters such as wages, benefits, work policies, and the firm's work environment. No signatures are required, but only three employees declined to sign the form in one recent survey.

On a five-point scale in 1991, employees gave Reliable Cartage a "big-picture" rating of 4.83.

The year before, "the one area that the

employees felt should be addressed was the pay scale," says Enguita. Thereupon, "we implemented a bonus program" tied to attendance, safety, and compliance with company policy, he says. "That took

reason may appeal managers' disciplinary actions.

The policy works this way: A disciplined employee may randomly pick two peer workers to hear his or her side of the story. The peers then vote on whether the manager's action stands or falls. If there is a tie, the manager breaks it.

One person who appealed a disciplinary action was "given another chance, and he's turned out to be an outstanding employee," says Enguita.

Keeping ahead of employee-communication problems is the objective of Reliable's managers.

Each month, Executive Vice President John Mooney dons a Reliable Cartage uniform and spends a day riding with one of the firm's drivers. He meets customers and sees how freight is handled. "The driver gets a free lunch and a helper for the day," says Mooney, "and I think it helps [us] develop a

better rapport with our employees."

(Like Delmar Bootery on Page 8, Reliable Cartage is a 1992 designee in the Blue Chip Enterprise program.)



PHOTO: DONALD B. SUTTON—PICTURE GROUP

Communication at Reliable Cartage Co.: Executive Vice President John Mooney, right, and salesman/driver Ken Welsh, left, meet with the trucking firm's president, George Enguita.

care of the pay situation."

To help ensure fairness as well as stimulate communication from workers, employees who are disciplined for any

NB TIPS

Materials For Encouraging Employees To Vote

Companies that want to encourage their employees to vote in the Nov. 3 elections may obtain promotional materials on voting from the U.S. Chamber of Commerce.

The materials, including posters and payroll inserts reminding workers to vote, are available to U.S. Chamber members for a \$5 shipping and handling charge; there is no other cost for the materials.

Nonmembers of the U.S. Chamber are charged \$2.50 for each poster, 10 cents per payroll insert, and \$5 for shipping and handling.

For more information or to order any of the above voting materials, call the U.S. Chamber of Commerce's publications ful-

fillment department at 1-800-638-6582.

(An editorial on voting appears on Page 75.)

For Spanish-Speaking Entrepreneurs

The Small Business Administration continues to extend its business-development services to Spanish-speaking entrepreneurs.

The SBA says it can virtually guarantee that Spanish-speaking staff members will be on hand at its offices in regions having a large Spanish-speaking population.

For more information, call your SBA regional offices, listed in the blue pages of the phone directory, or call 1-800-827-5722.

Federal Auction Bargains

Government auctions can lead to great bargains for business people, says George Chelekis, author of *The Official Government Auction Guide* (Crown), due out in July. The author cites the example of two Florida restaurateurs who paid \$1,250 for \$25,000 worth of equipment at an Internal Revenue Service auction.

For more information on IRS auctions, call your nearest IRS regional office and ask for the auction hot line number. You may also want to request the latest Form 2434—the notice that the IRS uses to describe items for sale.

For information on auctions held by the Resolution Trust Corp., call 1-800-782-3006.

Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

BUSINESS COSTS

New Postmaster General Likely To Stay The Course

Recently appointed Postmaster General Marvin T. Runyon seems likely to continue the rate-control and service-enhancement programs initiated by his



PHOTO: NORMAN COOK—WIDE WORLD

Postmaster General Marvin T. Runyon

predecessor, Anthony M. Frank.

Runyon's cost-containment policies were evident in his holding the line on electric power rates during his five years as chairman of the federal government's Tennessee Valley Authority. For two decades, rates had risen an average of 10.4 percent a year. To avoid rate increases, Runyon cut TVA expenses about \$80 million a year and refinanced the agency's debt under more favorable terms.

He also encouraged TVA employees to head off customer criticism by striving "to do their jobs right the first time in a total quality way," says Runyon, who gained

more than 40 years of management experience with auto makers Ford and Nissan.

Runyon inherits a U.S. Postal Service seeking to establish a reputation among business customers for service and cost effectiveness. To that end, former Postmaster General Frank began a massive automation effort that made substantial rate discounts possible for business people who prepare their mail in a manner compatible with new Postal Service machinery. He also eliminated almost 50,000 jobs and won major work-rule concessions from the powerful postal unions.

Energy Legislation Should Produce Savings For Business

The energy legislation recently passed by the House and the Senate is expected to lower business's long-term costs for electricity and natural gas.

Exerting downward pressure on prices are provisions that would:

- Streamline the process under which new nuclear power plants are licensed;
- Encourage construction of new natural-gas pipelines; and
- Promote development of technologies that will allow environmentally sound burning of coal.

Somewhat offsetting these provisions are others that business interests expect to have a negative impact on prices, such as further restrictions on offshore oil and natural-gas exploration and production on the Outer Continental Shelf.

The legislation failed to include two hotly debated and politically sensitive provisions. One would have permitted limited oil and gas exploration in the Arctic National Wildlife Refuge in Alaska; the other would have toughened fuel-efficiency standards for automobiles. ■

A deal is likely later this year, but Congress is not expected to approve the pact until lawmakers reconvene in 1993 because the NAFTA issue is so politically volatile. American business strongly favors NAFTA, but U.S. organized labor remains opposed to it.

The unions contend that NAFTA will lead to migration of American jobs to Mexico, where wage costs are lower, while business people point out that labor cost is but one of many factors that influence site selection. ■

New Product-Liability Vote Sought After Reform Attempt Fails

Senate proponents of uniform federal rules for determining liability for product-related injuries are seeking another vote on their legislation, which now has 40 Democratic and Republican co-sponsors.

An attempt to attach a product-liability amendment to a bill to encourage voter registration failed narrowly in mid-May. That 53-45 decision to kill the amendment was the first vote in either house of Congress in business's 10-year fight for product-liability reform.

The pending product-liability legislation would:

- Set a uniform statute of limitations for bringing a product-liability suit;
- Allow punitive damages only if there is clear and convincing evidence that a company showed "conscious, flagrant indifference" for public safety;
- Require firms to pay damages for pain and suffering only in proportion to their share of the blame;
- Provide incentives for faster settlement of lawsuits, speedier compensation to injured parties, and reductions in legal costs.

—David Warner

GRASS-ROOTS ACTIVITIES

Business People Gain Opportunity To Influence President, Congress

The U.S. Chamber of Commerce plans a second nationwide series of regional forums at which business people can turn their frustration with the Washington political establishment into a constructive agenda for the president and Congress to be elected this November.

Sites and dates of the "1992 Regional Action Forums" conducted by the U.S. Chamber and affiliated state and local chambers and trade and professional associations are: Rye, N.Y., Oct. 26; Chicago, Oct. 27; Los Angeles, Oct. 28; Dallas, Oct. 29; and Atlanta, Oct. 30.

Grass-roots views expressed at last year's forums are the underpinnings of the Chamber's current legislative and regulatory action agenda, presented to President Bush and members of Congress early this year.

For more information on the forums, call the U.S. Chamber's Office of Grass-roots Operations, (202) 463-5406. ■

INTERNATIONAL TRADE

U.S. Names Chile Next Free-Trade Partner

Business people looking overseas to make a profitable investment or forge a business alliance may want to consider Chile, recently named by President Bush as the next nation with which the U.S. will negotiate a free-trade agreement. U.S.-Mexico-Canada business is booming now, even before representatives of those nations conclude a trilateral North American Free Trade Agreement (NAFTA).

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Fireworks Family

By Virginia Maida Randall

When Felix Grucci Sr. began Fireworks by Grucci (then called the Suffolk Novelty Fireworks Co.) on Long Island in 1929, he thought he was just carrying on a family tradition that had begun in 1850 in Bari, Italy. "It was a trade that immigrants brought with them, a way to make a life for themselves and their families," explains his son Felix "Butch" Grucci Jr., now the company's president.

And it remains a family enterprise. Felix Sr.'s children—Jimmy, Felix Jr.,

Virginia Maida Randall is a New York-based free-lance writer.



PHOTO: HANNELORE ADLER

The Grucci family, with Clara Grucci at right. Below, a Grucci spectacular near the Washington Monument.

and Donna—entered the business. But it's no longer a mom-and-pop operation. Fireworks by Grucci has grown to a \$4 million business. Once it created fireworks displays just for local municipal and religious festivals. Now it also does shows for much grander occasions: the last three presidential inaugurations, the

Bicentennial of the Constitution, the Statue of Liberty Centennial, and countless Fourth of July celebrations.

The turning point came in 1979, when Jimmy Grucci successfully lobbied his father for permission to enter a prestigious Monte Carlo fireworks competition that year. The Gruccis became the first Americans ever to win the competition, and their fortunes soared. "Commissions doubled immediately," says Butch, and have gone up 30 to 40 percent every year, "even with the disaster."

"The disaster," as everyone calls it, was an explosion on Nov. 26, 1983, that leveled the Grucci facility, then at Bellport on eastern Long Island, and killed Jimmy and cousin Donna Gruber. "The next 24 months were a battle to stay alive," says Butch. "We barely had time to mourn." Jimmy was buried with the medal he had won in Monte Carlo.

"We had no facility, no inventory, and



MAKING IT

six New Year's shows to produce a month after the accident," Butch recalls. They received nothing for their losses, since the facility was uninsured. Butch says, in favor of \$6 million in coverage for their neighbors. (Their insurance company paid out \$2 million in claims for houses in the area with structural damage. Twenty-six people outside the facility were injured; none required hospitalization.)

The community's initial sympathy for the family because of the tragedy turned to anger over the firm's decision to keep the business going and rebuild, Butch says. "My father lost his firstborn son, a niece, and 50 years of work, and he'd see people he knew and worked with for a half-century picketing outside."

Giving up was not an option, however. "It's in our blood; it's what we do best," explains Phil Grucci, Jimmy's son. The tide turned not only because of the family's unified determination, says Butch, but also because of a direct-mail campaign to local residents, understanding vendors, and a Small Business Administration loan. He says the family also "brought clients to our temporary site to

show them we could fulfill our contracts. Fortunately, we kept most of our clients."

The company is now run from a group of custom-built trailer-offices set in an isolated industrial area in Brookhaven, and its 2,100 different fireworks shells are kept in concrete, bulletproof bunkers, each surrounded by 14-foot-high sand berms. The heart of the company is in the trailer that houses the kitchen where matriarch Clara Grucci, 74, wife of Felix Sr., makes lunch for her children and grandchildren and various employees. These meals, including the family-only Sunday dinners at Clara's home, are called "board meetings," recognizing the strategic and emotional importance of the family's gatherings and acknowledging her position as senior member of the company. (Felix Sr., 87, has Alzheimer's disease; he retired in 1986.)

The company's 35 employees design and plan 250 shows yearly. A Fourth of July municipal fireworks show might cost \$4,000, a 15-minute display about \$17,000, and a large program \$50,000 and up. The Statue of Liberty celebration came in at \$1.7 million.

From the first phone call to the firing of the last rocket, Gruccis are involved in each show. Butch, 40, troubleshoots and oversees contracts and productions. Donna Grucci Butler, 42, vice president, supervises day-to-day operations, selects music for shows, and handles paperwork with the help of daughter Danielle. Donna's husband, Phil Butler, vice president for sales and marketing, looks for potential sponsors for municipal shows.

Phil Grucci, 29, who inherited his father's mantle as choreographer, visualizes and "scripts" each show, in increments of one second. David Ralph coordinates all logistics and technicians, down to shipping finished shells in trucks packed by Grucci cousin Jimmy Coleman. Family members take turns producing shows.

And when the savory aroma of simmering tomato sauce fills the air, they head for the "board room" for lunch. "I'm here with my children and grandchildren, and I'm here to see that we all eat lunch together," says matriarch Clara. "We sit down, and we iron out a lot of particulars, and we talk for an hour or more. It brings closeness to the family."

Just What The Doctor Ordered

By Camille McCabe

After graduation from medical school in Taiwan in 1969, H.L. Chen went to Chicago for his internship. In those days, he says, the best-known Chinese dishes in the U.S. were chop suey and egg rolls. Chen sampled both at a Chicago restaurant and was astonished by their American popularity. He told his friends: "Just wait until you taste my egg rolls."

Five years later, he completed his residency in New York, and, having set aside his plans to return to Taiwan, in 1975 he established a practice in obstetrics and gynecology in Taylorville, Ill., a town of 11,500 near Springfield. All the while, Chen was making egg rolls for friends, family, and hospital potlucks—and being told he should start a business. So on Labor Day in 1989, he and his wife, Pauletta, tested the Taylorville market. They whipped up 300 egg rolls and delivered them to the deli section of a local grocery store. Within three hours, the store sold out.

Dr. Chen's Egg Roll Co. opened for business in February 1990, with five employees in a small building. The new company made 300 egg rolls a day and sold them on site to local residents. Within seven months, production had increased

to 1,000 to 1,200 egg rolls daily, and Chen was supplying 63 stores in central and southern Illinois.

In 1991, Chen moved to larger quarters and obtained U.S. Agriculture Department approval to sell his egg rolls across state lines. Dr. Chen's Egg Roll Co. now produces 5,000 egg rolls per day. They are sold in 1,200 stores in six states, and Chen hopes they will be in freezers across the nation by May 1994. Chen has put \$900,000—part of it his own money and part of it borrowed—into the business. The company's monthly sales have topped \$80,000.

Chen's product is a Shanghai-style egg roll with an imported thin skin, fully cooked for crispness before processing (as compared with grocery-store skins that are raw dough); each egg roll is generously hand-filled with a mixture of beef and pork and fresh produce. "I make the egg rolls to suit my taste and standards," says Chen, 52. "I believe good quality sells even though the price is

slightly higher than my competitors'." A package of three Dr. Chen's Chinese Egg Rolls typically sells for just under \$3.

How does a doctor who delivers 200 babies a year juggle two demanding occupations? "It's very hard; I must sacrifice leisure time," Chen admits. "But it's healthy for me psychologically. There's no time to worry about middle age or destiny."

He sometimes calls employees at home to discuss ideas, they say, and he likes to have business meetings on Sundays. He



PHOTO: T. MICHAEL NEZA

"Good quality sells," says egg-roll maker Dr. H.L. Chen.

writes radio commercials between deliveries. Says Chen's secretary: "When the phone rings around here, we never know if we're going to be delivering egg rolls or delivering babies."

Camille McCabe is a free-lance writer in Taylorville, Ill.



PHOTO: BRIAN DRAKE



PHOTO: MERRITT DES VOIGNE

The SAM splint, says its inventor, Dr. Sam Scheinberg, is sturdy, malleable, reusable, and suited for people—or pets.

Starting On A Gum Wrapper

By Merritt Des Voigne

As a young medical student, Dr. Sam Scheinberg, in a moment of levity, promised his new wife, Cherrie, that one day he'd make her rich. Today it appears he may soon keep his promise—though not from the proceeds of his work in medicine.

Scheinberg, 50, is an orthopedic physician with a practice spread among three northern Oregon coastal towns. He was an Army doctor in Vietnam, and he came home convinced there had to be a better way to protect sprained, strained, and broken parts of the human body than by using the long-accepted splinting hardware that still dominates the market. With most conventional splints, the injured limb must be totally enclosed within the splint, which puts extra pressure on the point of injury and can cause additional pain. In effect, the limb is forced to conform to the shape of the splint.

To solve the problem, Scheinberg came up with an idea for a new kind of splint, one he has given the trademarked name SAM (for structural aluminum malleable).

The SAM splint has won some impressive endorsements: The U.S. Army designated it "the splint of choice" in the Gulf War. Climbers take it to the Himalayas; New York police stock it in their emergency kits; veterinarians apply it to the limbs of injured animals. First Lady Barbara Bush wore one on her injured leg after a sledding accident.

Merritt Des Voigne is a Seattle free-lance writer.

During the years that he nurtured his concept, Scheinberg knew he wanted a single splint that could be applied in many ways, was simple to use, sturdy, and reusable, and wouldn't appear on an X-ray.

While a resident in orthopedics at the University of Louisville, Scheinberg recalls, he was watching TV one evening "and unconsciously playing with this little aluminum part of a gum wrapper. I wrapped it around my pinky a couple of times and noticed I couldn't bend my finger."

Why? "I concluded it couldn't have been the strength of the little gum wrapper because it was too thin," Scheinberg says. "It had to be the shape, the contour of the wrapper." The aluminum held the finger immobile because Scheinberg had molded it to the finger's shape.

Scheinberg next tried a thin piece of aluminum covered with adhesive tape, he says, and, "not completely surprised, I found the thing worked."

In its standard form (there's a smaller version for fingers), the SAM splint measures 4½ inches by 36 inches. It is reusable and waterproof, and it can be cut with ordinary household scissors. It consists of a piece of very thin, malleable aluminum covered with closed-pore foam, which will not absorb moisture.

Rather than borrow money—"I understood the risks," he says; "I didn't want to see anyone else get hurt"—Scheinberg used his own funds to get the splint off the ground. He incorporated in 1985, naming

his new company Seaberg, rather than Scheinberg, so that if the company failed, his name wouldn't be tarnished. He gave shares of Seaberg Corp. stock in exchange for services; those shareholders include the attorney who helped set up the company and handled patent applications, and a couple of mechanical engineers—one of whom is Jerry Fild, a former patient who designed the original production machinery.

Initially the splint was put together by hand by four employees in a shed in the tiny Oregon seacoast village of Yachats. Scheinberg now has 12 employees working in a small factory on Yaquina Bay in Newport.

Scheinberg first tested the splint at the three hospitals where he works. He put his Oregon medical practice on hold—sometimes for days—while he traveled the country making contacts. He began selling small quantities of splints to the Defense Department in December 1986. That year's sales of only \$50,000 left the fledgling company deep in debt. But these days he smiles broadly when he speaks of the 1991 sales figure: \$3 million.

Cherrie Scheinberg entered the business by appearing at trade shows, medical and veterinarian conventions, and outdoor-equipment expositions throughout the country, introducing the product and seeking out reliable distributors—now the key marketing strategy of their enterprise.

Today, the splint is sold worldwide. In the U.S., 350 companies buy it. Scheinberg now devotes most of his time to his medical practice, leaving his company's operations in the hands of his vice president and general manager, Patty Louisiana. And he is closer than ever to keeping his long-ago promise to his bride.

COVER STORY

Workers' Comp Costs: Out Of Control

By Roger Thompson

In state after state, in every region of the country, the nation's 81-year-old workers' compensation system is failing the employers and injured workers it was designed to serve.

Just ask Robert Boucher. He'll tell you that in California most small companies like his are just a couple of bogus workers' comp claims away from financial ruin. It almost happened to him.

Boucher fired two of his 17 workers at Astro Flight Inc. in Marina del Rey last fall, figuring that was the end of two problem employees.

He was wrong. In short order, both filed for workers' comp, claiming debilitating stress as a result of their dismissal.

The claims prompted Boucher's insurer to abruptly cancel his policy, and a frantic search turned up no other insurer willing to offer him a policy.

Two stress claims blotted out 22 years of nearly accident-free operation and transformed his electric-motor manufacturing business into a workers' comp pariah.

In desperation, Boucher turned to the state's assigned-risk pool, which is required to take any business that can't purchase insurance on the open market. But admission to the pool came at a steep price—a 500 percent surcharge over his former premium of \$18,000. Boucher had to come up with \$108,000, a ruinous sum equal to nearly half his annual payroll. Because companies can't operate without workers' comp insurance, he had no choice but to dismiss his work force and close down on Nov. 14, 1991.

Bowed but not broken, Boucher launched a one-man letter-writing crusade to every official who might help him in Sacramento, the state capital.

Finally, the governor's office intervened, setting in motion a chain of events

companies. We need a big dose of strong medicine to cure this cancer while we are all still alive."

Disgust and anger over a workers' comp system run amok isn't just a California story. In Maine, Rhode Island, and Massachusetts, the system is in crisis and on the verge of self-destruction. Other states' systems aren't far behind.

The most visible sign of distress is the galloping cost of workers' comp. Job-related injuries and sickness in 1991 cost public and private employers an estimated \$62 billion in workers' comp expenditures, nearly triple the amount spent in 1980. At the present growth rate, costs will nearly triple again by the year 2000.

Yet workers' comp insurance companies claim they are drowning in red ink because many state regulators have held the companies' rates far below costs. In fact, insurers in a number of states have lost so much money that they have abandoned the market,

leaving small employers to the mercy of assigned-risk pools.

These pools, which exist in all but six states, were created to serve as the insurer of last resort. State laws require insurers to accept assigned-risk companies in proportion to their share of the voluntary market for workers' comp insurance.

In Maine and Rhode Island, states where the voluntary market has all but collapsed, more than 90 percent of all businesses are in the pools. Massachusetts is rapidly approaching that level.



PHOTO: RICHARD DORN

Skyrocketing workers' comp premiums forced Robert Boucher to close his small Marina del Rey, Calif., company, Astro Flight Inc., for six weeks last year.

that eventually cleared Boucher's record of the bogus claims and rolled back his risk-pool premium to its previous level—\$18,000. In January, Astro Flight reopened and now is struggling to rebuild.

Although Boucher's case may be extreme, it is not unique. At a recent breakfast meeting of local small-business owners, Boucher says, "the whole room exploded with emotion" when he mentioned his run-in with the workers' comp system. "Every single person had his own horror story to relate. This cancer is killing thousands and thousands of honest

Fraud, abuse, and unrestrained medical costs are among the reasons why the workers' compensation system could self-destruct.

There is no mystery about what's fueling this destructive cost spiral: unrestrained medical costs, excessive legal disputes in what is supposed to be a no-fault system, broadening definitions of job-related injuries, and rampant fraud and abuse.

There also is no shortage of solutions. States such as Oregon and Michigan in recent years have gone from being workers' comp basket cases to models of reform.

In the 1980s, Oregon ranked No. 1 in frequency of permanent partial-disability claims, yet it paid some of the nation's lowest benefits. As a result, litigation to increase benefits was common, and legal costs spiraled out of control.

To cut the state's accident rate, Oregon's 1990 workers' comp overhaul requires all employers with more than 10 workers to set up safety committees. The package also tightens the medical definition of compensable injuries, requires injured workers to seek care from managed-care medical networks, and man-

Employers' Premiums For Workers' Comp		
(In Billions)		
1960		\$2.1
1970		4.9
1980		22.3
1982		22.8
1984		25.1
1986		34.3
1988		43.3
1989		48.0
1990	Estimates	56.0
1991		62.0

Source: John Barber's Workers' Compensation Monitor, May/June 1992

dates mediation of disputed claims. While tightening the system, the legislature also doubled disability benefits for injured workers. Even so, the reforms have led to two consecutive years of double-digit premium decreases totaling 23 percent.

In Michigan, some auto workers were using workers' comp like a second pension. Many filed claims shortly after retirement. A 1985 reform law put an end

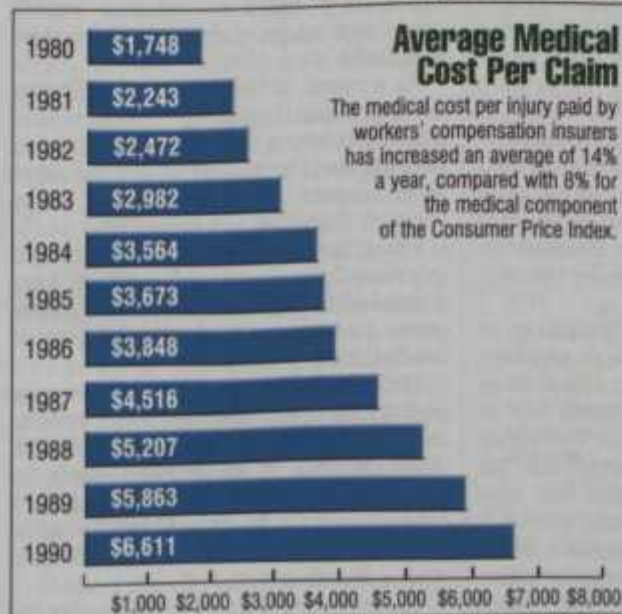
to that abusive practice. At the same time, the state deregulated workers' comp rates, allowing insurers to compete on price. As soon as the law went into effect, rates dropped 33 percent. Equally important, the reforms established a method of dispute resolution that has cut litigation in half.

Not every state has to become a model to make progress. Texas and Louisiana, recently on the workers' comp critical list because insurers were abandoning both states, are now showing signs of recovery following recently enacted reforms.

Clearly, solutions are within reach. What's lacking in most states is the political resolve to make the hard choices necessary to get the system under control.

"Many states lack the political guts and will power to pull it off the way Oregon did," says Jon Egge, president of M.P. Plumbing Co., in Portland. He participated in the business/labor panel that hammered out Oregon's reform package in three months of closed-door meetings

The High Cost Of Workplace Injury



Source: National Council on Compensation Insurance

COVER STORY

in the basement of the governor's mansion.

"The secret is to get a coalition of labor and management together, recognizing that workers' comp was not designed for lawyers, or doctors, or insurers," says Karl Frederick, director of legislation for Associated Oregon Industries, in Salem, Ore. "It's an employer-and-employee program."

When business and labor agree on reforms—something that doesn't happen very often—legislators are more apt to turn a deaf ear to special-interest groups—primarily doctors, lawyers, vocational counselors, and physical therapists—that have an enormous financial stake in the status quo.

The insurance industry maintains that an unscrupulous minority among these professionals is to blame for much of the workers' comp system's current problems. "Many of these professionals don't give a tinker's damn about this system or about the workers it is designed to serve," said William Hager, president of the National Council on Compensation Insurance (NCCI), at the council's annual meeting this past April.

NCCI, based in Boca Raton, Fla., and funded by the insurance industry, gathers workers' comp claims data and uses the information to propose rate changes—which generally are increases—in 32 states that use its services. Other states have their own rating bureaus.

NCCI wields enormous influence over the workers' comp insurance rates paid by most American companies. Increasingly, NCCI is attempting to be an aggressive player in the reform debates nationwide. Economic self-interest demands nothing less. Since the mid-1980s, workers' comp insurance has been an unprofitable line of business.

Many outside the insurance industry, especially small-business owners, consider insurers to be as much a part of the problem as a part of the solution. Boucher, for example, complains that insurers act like a regulated public utility, simply passing higher costs—including those for fraud and abuse—along to the business consumers of their insurance policies.

Some workers' comp experts take a more tempered view. "If insurers could effectively do things to reduce workers' comp costs in a logical way, it would be in their best interest to do so," says Leslie

Boden, a senior researcher with the Workers Compensation Research Institute, in Cambridge, Mass.

Whoever is to blame, the impact is the same for small businesses. Runaway costs are squeezing their profits and threatening their survival.

"Workers' comp is a total disaster," says Michael Kalupa, owner of Kalupa's Bakery, in Tampa, Fla. "It's going to bury small business." His annual premium to cover 18 employees has gone up about 300 percent, to \$30,000, since 1988 despite a good accident record. "Insurance in my business used to be 1 to 2 percent of sales.

comp system in 1993 unless business and labor come up with meaningful reforms." He scoffed at a reform bill passed this year, calling it a "corner nicker" that didn't really accomplish much.

Says NCCI's Hager: "The message for today, and the message for tomorrow, in workers' compensation is grim."

From its inception around the turn of the century, workers' comp was designed to function as a no-fault compromise between employers and injured workers. Under the system, employers are required to pay medical costs and wage losses arising from workplace accidents or illness. In exchange, employees give up the right to sue their employers for medical and disability benefits.

The first permanent workers' compensation law was enacted in Wisconsin in 1911. By 1949, all states and the District of Columbia had established similar systems. Today, the workers' comp system continues to function as 50 separate state operations.

Through the 1950s and '60s, workers' comp costs remained low in large part because disability benefits failed to keep pace with inflation.

Growing criticism of the system prompted President Nixon in 1970 to appoint a national commission to recommend reforms. In 1972 the commission urged Congress to impose national standards if the states failed to increase benefit

levels and adopt various administrative standards.

As a result, most states boosted benefits significantly, and the threat of congressional action faded away. But higher benefits also touched off an upward surge in employers' costs for workers' comp through the 1970s and early 1980s.

Since the mid-1980s, disability-benefit increases have moderated, but costs have continued to escalate as new factors have come into play. Chief among them is medical care.

Between 1980 and 1990, the average cost for an injury causing an employee to miss work rose from \$1,748 to \$6,611. That amounts to an average yearly increase of 14 percent. Medical expenses now account for roughly 40 percent of all workers' comp outlays, up from 33 percent a decade ago.

In large part, the surge is related to the growth in medical costs in general. Medi-



PHOTO: SUE PERRO

Premiums tripled for workers' comp over four years despite his firm's good safety record, says Tampa, Fla., baker Michael Kalupa, shown with daughter Patricia Mateyka.

Now it's 5 percent of sales. It's the second-largest expense after labor, and it produces nothing."

Kalupa finally resorted this year to leasing his employees to unload workers' comp insurance, health insurance, and payroll accounting onto the leasing company. Kalupa says that leasing "is the only salvation for small business. It's just not worth it for me to have employees anymore."

"My sense is that the system is so completely broken it can't be fixed," says Bradley Robinson, president of Robinson Rubber Products, in Minneapolis. "All an employee has to do [to collect workers' comp] is say something hurts," and the insurance companies pay the bill, says Robinson.

As a board member of the state chamber of commerce, Robinson supported an unsuccessful bill last year "that would have 'sunset' [killed] the state's workers'

cal costs outside of workers' compensation rose about 10 percent each year during the 1980s. But workers' comp costs grew even faster for several reasons.

The system provides first-dollar coverage, exempting injured employees from deductibles or co-payments that now are common with group health insurance. Cost-containment programs, such as managed care and utilization review, that are designed to restrain group-health-care expenditures typically have not been applied to workers' comp, in large part because workers' comp represents only about 2 percent of total health-care expenditures.

Without restraints on their services, medical providers have been tempted to shift costs to workers' comp to make up for lost revenues from other sources.

A 1990 study in Minnesota, for example, found that hospitals on average charged twice as much to treat workers' comp injuries as identical injuries not covered under workers' comp. This was the practice even though the state applies a fee schedule to hospital and doctor charges. Without utilization review, providers can circumvent the intent of a fee schedule by ordering more treatment.

Disability costs under workers' comp also have risen sharply over the past decade, from \$4,390 in 1980 to \$12,833 in 1990 for the average case involving time missed from work. That amounts to an 11 percent annual increase.

Since the mid-1980s, the two major cost drivers have been litigation and new types of compensable injuries. In many states, injured workers routinely retain lawyers to handle their cases even though the system was designed to be no-fault.

Six states—California, Hawaii, Michigan, New Jersey, Kentucky, and West Virginia—now recognize stress as grounds for a workers' comp claim. Many others recognize cumulative trauma injuries, such as carpal tunnel syndrome, which involves painful nerve damage in the wrist.

Stress and cumulative trauma injuries pose enormous problems in determining both job relatedness and the extent of injury. And uncertainty invites fraud, abuse, and protracted litigation.

Nowhere is this problem more acute than in California, where employers pay the second-highest workers' comp rates in the country, but the state currently ranks 44th in terms of benefits paid to injured workers. The balance is siphoned off by doctors, lawyers, and other professionals, for whom the system functions as an "entitlement program," says Gregory Johnson, a principal in the San Francisco office of William M. Mercer, a national consulting firm.

Medical and disability costs are not the only major contributors to soaring workers' comp expenditures, however. There

Workers' Comp Experience Varies By State

	Average Weekly Premium Cost Per Worker	Maximum Weekly Benefit	Average Insurer Profit Per Premium Dollar	Percentage Of Businesses In Risk Pools
	1989	1992	1987-1989	1990
(All figures are the most recent available.)				
Alabama	\$ 7.12	\$385.00	\$-0.09	31.6%
Alaska	16.68	700.00	0.14	15.0
Arizona	7.93	323.00	0.02	3.1
Arkansas	5.84	241.93	0.01	35.7
California	14.70	366.00	0.04	#
Colorado	11.65	395.71	-0.06	#
Connecticut	10.85	737.00	-0.01	12.0
Delaware	6.82	312.39	0.08	9.6
District of Col.	12.22	613.09	0.19	13.2
Florida	13.02	409.00	-0.27	23.4
Georgia	7.46	225.00	-0.05	19.5
Hawaii	11.73	437.00	0.13	10.1
Idaho	7.02	324.00	0.03	#
Illinois	9.31	655.70	0.06	14.9
Indiana	3.83	328.00	-0.01	20.5
Iowa	6.72	733.00	-0.01	17.0
Kansas	5.50	289.00	-0.02	27.7
Kentucky	12.16	380.00	-0.05	25.3
Louisiana	9.61	295.00	-0.31	65.8
Maine	13.51	518.42	-0.48	87.1
Maryland	7.27	475.00	0.09	#
Massachusetts	10.24	515.50	-0.17	46.3
Michigan	9.76	441.00	0.01	10.7
Minnesota	10.60	443.00	0.00	#
Mississippi	5.48	227.18	-0.05	36.2
Missouri	5.64	431.26	-0.04	28.8
Montana	20.13	336.00	-0.10	#
Nebraska	4.81	265.00	-0.06	23.3
Nevada	NA	409.16	0.42	*
New Hampshire	8.58	633.00	0.02	30.8
New Jersey	5.41	409.00	0.03	10.0
New Mexico	11.40	307.30	-0.17	40.7
New York	7.93	350.00	0.03	#
North Carolina	3.59	426.00	-0.04	19.4
North Dakota	NA	334.00	0.51	*
Ohio	12.52	443.00	0.22	*
Oklahoma	8.47	246.00	0.01	#
Oregon	15.96	429.71	-0.11	9.8
Pennsylvania	9.00	455.00	-0.06	#
Rhode Island	10.37	427.00	-0.33	79.5
South Carolina	5.53	379.82	0.04	25.6
South Dakota	6.60	308.00	-0.11	23.4
Tennessee	5.39	294.00	-0.06	27.2
Texas	14.93	428.00	-0.17	#
Utah	4.45	378.00	0.04	#
Vermont	5.86	592.00	0.00	35.8
Virginia	4.41	418.00	-0.01	17.8
Washington	NA	435.57	0.35	*
West Virginia	5.95	394.02	0.00	*
Wisconsin	7.02	450.00	0.06	#
Wyoming	NA	392.00	0.30	*

* These six states bar private insurers and run their own workers' compensation funds without risk pools.

Data on risk pools not available from the National Council on Compensation Insurance.

Sources: John Burton's *Workers' Compensation Monitor*, January/February 1992; U.S. Chamber of Commerce; Kramer Associates; National Council on Compensation Insurance

HIT THE ROAD

Crack

ONE WAY

ONE WAY

ONE WAY

ONE WAY

ONE WAY

ONE WAY

EPA REGULATIONS

INSURANCE

ADMINISTRATION

LICENSING

PERMITTING



FUEL
Availability

FUEL
Costs

OPERATING
COSTS

CAPITAL
CONSTRAINTS

MAINTENANCE
COSTS

EQUIP-
MENT
INVESTMENT


DISSATISFIED
CUSTOMERS

DOWN-
TIME

MISSED
DELIVERIES

STOP

STOP

 If you imagine truck ownership as a pinball game in which every problem is a bumper, guess what? You're the ball.

So instead of getting bounced around between things like unstable fuel supplies, vehicle administration and maintenance, tougher EPA regulations and new truck technology, tilt the game in your favor with a Ryder Full Service Lease.

Ryder tilts the transportation game in your favor.

You'll get more than custom-specified vehicles, a preventive maintenance program that keeps them running in top condition, and substitute trucks when you need them. You'll get the competitive edge, because you'll have better control over getting your products into your customers' hands on time.

Call Ryder for a free "Lease Versus Own Analysis" at 1-800-952-9515, ext. 105. After all, your company's transportation is a game you can't afford to lose.

Circle No. 30 on Reader Service Card

© 1992 Ryder Truck Rental, Inc. A Ryder System Co. Ryder is an equal opportunity employer.

RYDER.
1-800-952-9515

also has been a sharp increase in the incidence of workplace injury and illness since the early 1980s. The U.S. Bureau of Labor Statistics reports that the number of lost workdays per 100 workers due to work-related injuries and illnesses has risen steeply, from 58.7 days in 1982 to 84 days in 1990.

To some extent, these numbers may reflect better data gathering rather than an increase in the number or severity of injuries, cautions John F. Burton Jr., director of the Institute of Management and Labor Relations, at Rutgers University in New Brunswick, N.J. The increase may also reflect the fact that rising disability benefit levels have enticed some workers to file claims they would not have filed when benefits were lower, notes Burton.

Whatever the source, insurance companies argue that rising costs have far outpaced the rates that state regulators have permitted them to charge employers. NCCI has launched a campaign to eliminate what it calls "rate suppression." Its effects, says NCCI, are eroding the industry's financial stability.

For every workers' comp premium dollar insurers collected in 1991, insurers paid out an estimated \$1.23 in claims and expenses, the highest level ever, according to NCCI figures. Since the mid-1980s, payouts have averaged about \$1.18 on the dollar.

As a result, insurers in the most unprofitable states are simply abandoning the market, forcing companies into assigned-risk pools. In 1991, nearly 25 percent of all workers' comp insurance nationwide was issued by risk pools, up from just 5.5 percent in 1984. (See the chart on Page 25.) Ironically, the market created to be an insurer of last resort has now become the largest supplier of workers' compensation coverage.

Small employers generally get nothing more than an insurance policy from a risk-pool arrangement. Service doesn't come with the deal. Razor-thin commissions paid to insurance brokers who handle the policies provide no incentive for the brokers to be of assistance to companies.

Insurers have even less incentive because they typically lose money on assigned-risk policies.

Over the past five years, pools administered by NCCI in 27 states have suffered a net operating loss totaling \$10 billion.

Employers outside the pools ignore them at their peril. Many don't know that under state law, workers' comp insurers must subsidize the pools. Insurers pass the cost along to employers in the voluntary insurance market by raising premiums. As a result, for every dollar employers in the voluntary market paid in workers' comp premiums in 1991, 16 cents went to subsidize risk pools. The state with the highest subsidy level is Rhode Island, where last year the risk-pool subsidy amounted to \$3.11 for every \$1 in premiums. In effect, insurance buyers paid a surcharge of about 300 percent.



PHOTO: SMITH KIZAR

Workers' comp reform legislation in Minnesota did not accomplish much, says Bradley Robinson, right, of Robinson Rubber Products, in Minneapolis, shown with employee Gerald Robinson.

NCCI recently called upon state insurance commissioners to cut off these subsidies and require risk pools to collect enough in premiums to cover costs. Higher costs would help revive the voluntary market and cut employer subsidies by driving companies with good accident records out of the risk pools, according to NCCI.

Despite the insurance industry's growing concern over rate inadequacy and solvency, critics long have maintained that the industry's grim financial statistics are self-serving and unreliable. Insurance commissioners and lawmakers typically view NCCI rate requests as substantially inflated to withstand anticipated reductions during the rate-approval process.

But a massive study of NCCI's data-collection and rate-making activities concluded just the opposite. The 3,700-page study, released last December, was com-

missioned by the National Association of Insurance Commissioners. It found that NCCI needed to improve its data collection and handling but that its rate filings are basically sound and unbiased. When NCCI erred, it generally erred on the side of underestimating the trend toward rising costs, the study said.

While the study bolsters NCCI's credibility, it may have a more important secondary effect. If lawmakers can no longer dismiss NCCI's figures as biased, they will be forced to focus on the only two options available for repairing the workers' comp system: major rate hikes and major reforms. Given a choice, most prefer reforms:

■ **Pennsylvania Gov. Robert Casey** personally intervened late last year to block the state rating bureau's request for a 52 percent increase, calling it "an assault on business and economic development." He countered with a sweeping reform package that is still under consideration.

■ **Rhode Island Gov. Bruce I. Sundlund** last November rejected a proposed 55 percent workers' comp rate increase although it was less than half of the original request of 123 percent. The Legislature in May passed a reform package that is expected to produce \$160 million in savings over three years.

When other states decide the time has come to get serious about reforms, they could draw on some of these valuable experiences of states that have been

through the process:

Building Coalitions

In Oregon and Maryland, it took leadership from the governor and the cooperation of business and labor to achieve workable reform.

In Oregon, then-Gov. Neil Goldschmidt in early 1990 appointed an evenly divided 14-member panel of business and labor representatives and directed them to come up with a reform bill.

Maryland Gov. William Donald Schaefer appointed a similar business/labor committee in 1987 to craft what became a major reform bill in that state. The legislation in Maryland produced four consecutive years of premium reductions.

Pushing reforms through the legislature without organized labor's support is possible. It recently happened in Colorado and Texas. But it's risky. In both

Schwab wrote the book on how to find a Financial Advisor.



As your capital multiplies, so does the time and skill it takes to invest.

If you're like many investors, you might prefer professional guidance. At Schwab, we recommend getting objective advice that's free of sales pressure. So we wrote this book to help you find an expert—one who's concerned with *your* best interests.

The Charles Schwab Guide to Selecting a Financial Advisor gives you the information you need to single out which advisor feels right to you.

Here are the key questions to ask.

Plus a few tips to help you assess whether their style and strategies are compatible with your financial goals.

This guide also includes a directory with addresses, phone numbers and stated investment philosophies of over 330 advisors.

If you'd appreciate help managing your money, call now for your free copy of the new, expanded edition of *The Charles Schwab Guide to Selecting a Financial Advisor*.

*Charles Schwab & Co., Inc. does not endorse or recommend any particular advisor. None of these Financial Advisors are employed by Charles Schwab & Co., Inc.

Call now, toll-free:

800-862-1200

Charles Schwab

states, labor groups are vigorously pursuing court challenges to overturn the laws.

Containing Medical Costs

With or without the cooperation of business and labor, the reform agenda in most states seeks to restrain both medical and legal costs. Minnesota's law, enacted in May, is the first in the nation to take a comprehensive approach to medical-cost management. The Minnesota law:

- Allows employers to require injured workers to seek treatment from state-regulated managed-care networks. These organizations seek to reduce costs by eliminating unnecessary medical services and delivering care in the most cost-effective manner. Only 21 states now limit a worker's initial choice of medical provider, a precondition for the delivery of managed care in workers' comp cases.

- Authorizes utilization review to ensure the necessity and appropriateness of workers' comp hospital and outpatient care—a practice permitted by workers' comp laws in only 14 other states.

- Imposes a new fee schedule to cut workers' comp medical reimbursements by 15 percent overall. Twenty-seven other states also have implemented fee schedules that set maximum reimbursements for hospitals and doctors.

Containing Legal Costs

Oregon's recent reforms require mediation of all workers' comp disputes as a precondition to court appeals. Studies by the Workers Compensation Research Institute have shown that Wisconsin and other states have reduced litigation through means such as:

- Providing clearly written guidelines that create certainty about benefits due to injured workers;

- Relying on the judgment of treating physicians to settle disputes, rather than turning to outside experts; and

- Requiring hearing officers to choose a benefit level proposed by one of the two parties in a dispute, rather than splitting the difference. This tends to limit the range of disagreement and holds down overall costs.

Paying Deductibles

Minnesota's new law requires insurers to allow employers to set their own workers' compensation deductible. By paying the first \$1,000 or \$5,000 in injury claims out-of-pocket, employers can significantly cut their workers' comp insurance premiums. Roughly half the states now allow employers to pay deductibles, says Jerry A. Miccolis, a principal in the St. Louis office of Towers Perrin, a national consulting firm.

While there is plenty of room for system reforms like these, employers shouldn't wait for lawmakers to put the brakes on their workers' comp costs. In fact, most small employers can go a long way toward cutting their own costs if they just make the effort, says Bonnie Brook, president of Stephenson & Brook, a Marblehead, Mass., case- and claims-management firm.

Unfortunately, many small employers abdicate responsibility for learning how the system works, says Brook. "They just throw up their hands and say they don't



PHOTO: MICHAEL SCHWARTZ

A cut-resistant glove like the one worn by employee Thomas Ford helped Atlanta's Waffle House restaurants reduce accidents.

understand. But costs have risen so dramatically in the last six or seven years that they can't afford to do that anymore."

Brook spends a lot of time educating her clients about "experience rating," the complex system that raises or lowers an employer's premiums based on claims history.

The rating system rewards safe employers and penalizes unsafe ones. In effect, it serves as a powerful incentive for employers to provide a safe workplace.

Implementing an effective accident-prevention program can be surprisingly simple.

For example, 12 Waffle House restaurants in the Atlanta area reduced employee accidents by 73 percent during a four-month trial period by eliminating the common causes of slips and falls, and knife cuts, says Steve Holder, the company's director of insurance.

The safety program worked so well that the company now requires all employees to purchase special nonskid shoes that cost \$20 to \$80 a pair. And kitchen workers must now wear cut-resistant gloves when using knives.

Cuts are the most common type of accident in the restaurant business, says Holder. Waffle House employees average \$83 in medical costs per cut. But the special gloves cost only \$11 a pair. "If the gloves prevent only one cut, they have more than paid for themselves," says Holder.

Accident prevention isn't all it takes to earn a good experience rating. Employers need a total "loss control" program, says Brook. It begins with pre-employment screening to ensure that the right person is picked for the job. Next, she emphasizes the importance of safety training for newly hired workers and for employees who are changing work assignments.

When accidents occur, supervisors should be trained to act quickly, whether by helping with the choice of medical providers or by filing an insurance report. If appropriate, case managers should get involved right away to guide the injured worker's speedy recovery and to encourage an early return to work.

Experience rating makes employers "the only players in the system who have an incentive to improve the way it works," says Brook.

Edward M. Welch, former director of Michigan's Bureau of Workers' Disability Compensation, is another firm believer in the power of employers to fix their own workers' comp problems.

In 1987, Welch participated in a study of 5,000 workers' comp claims in Michigan. To everyone's

surprise, the analysis found remarkable differences among employers within the same industry. Across 29 different types of businesses, the study found the "worst" employers had about 10 times as many claims as the "best" employers.

Follow-up research was conducted to pinpoint the differences between the best and worst employers. It concluded:

"Employers which most frequently engage in safety and prevention efforts, which tend to have an open managerial style and a corporate climate that shares decision making, and which make the most effort to prevent and manage disability are the employers most likely to have fewer workers' compensation claims."

These findings convey a powerful message to all employers, says Welch, now a lecturer at Michigan State University. "There are a lot of states like Maine and Rhode Island where they need to change the workers' compensation law. But the real solution is in the workplace."



To order reprints of this article, see Page 67.

MARKETING

Small Firms' Road To The Olympics

By Glen Macnow

By sponsoring events, providing services, and hiring athletes, small companies support the Olympics—and gain valuable exposure.



PHOTO: BRUCE TUN

Deckers Corp. displayed this banner at the Olympic kayaking trials.

In the world market of bottled waters, Roaring Spring is as competitive with Evian as, say, the typical health-club jogger is with 1988 Olympic gold medalist Carl Lewis. While Evian has \$3 million to spend sponsoring the 1992 Olympics in Barcelona, Spain, executives of Roaring Spring can only imagine having such wherewithal.

"We're just a regional company," says Scott Hoover, general manager of the

Glen Macnow is a sports-business writer for The Philadelphia Inquirer.

Roaring Spring Bottling Co., in Chambersburg, Pa. "That kind of budget, that kind of exposure is out of our league."

But that doesn't mean a small business like Roaring Spring can't catch the Olympic spirit—and gain something from it. And so for about \$10,000, Roaring Spring sponsored one tiny aspect of this year's Summer Games, the June bicycling road trials in Altoona, Pa. As a sponsor, the company hung banners and distributed free samples of its products at the trials.

Certainly that won't garner as much attention as Evian's nationally broadcast prime-time commercials. But, says Hoover, "It helped us reach our customers. And it made us feel good about being part of America's Olympic effort."

In recent years, it has become increasingly obvious to this country's Olympic leaders that to go for the gold, they've got to have the green.

To raise that money, they have created more marketing and advertising opportunities. This year, total Olympic sponsorships are expected to exceed \$800 million, more than double the amount spent on sponsorships for the 1988 Games. Sponsorships range from around \$10,000 to more than \$10 million.

Most of that money comes from large corporations. But an increasing amount is coming from small businesses that have learned the secret of the five P's: Properly promoted patriotism produces profits.

"If done right, Olympic sponsorships can be an extremely effective way to impress customers and clients," says Jim Crimmins, who studied Olympic marketing as director of strategic planning and research for the DDB Needham Worldwide advertising agency. "Many Americans feel it's their patriotic duty" to buy from Olympic sponsors, says Crimmins, citing market research conducted during the 1988 Summer Games. More than 61 percent of the respondents to a poll said they felt that buying the products of Olympic sponsors enabled them to help the Olympic effort.

Boosting America's best athletes not only can increase sales, say those who have tried it, but also can build employee morale and a company's standing in the community.

The firms interviewed for this story have attempted varied strategies and spent wide-ranging amounts for their connection with this year's Summer Games. But they share a common outlook:

At the Olympic trials for white-water canoeing and kayaking, sponsors included small firms aiming at specialized audiences.



PHOTO: BRUCE TUN

Our compl AT&T and MC savings plans fo (Too bad ou

Introducing Sprint's new Business Clout.™

No other small business plan is so easy, and no other plan gives you a discount on every call. No calling restrictions, no complicated sign-up requirements, no confusion.

Only Business Clout is hassle-free.

We think your phone should be used to sell your services, not ours. So, unlike some other plans, you don't have to get other people to switch to a new phone company.

Business Clout is a better way. Nobody has to switch, nobody uses your name in annoying sales calls. You'll get discounts when you call anybody, anywhere, anytime.

Only Business Clout gives you a discount on every call.

The other plans can save you 20% over their direct dial interstate rates—but only sometimes, under certain conditions. If you spend as little as \$50 a month with Business Clout, you'll save more than 20% over AT&T's basic interstate rates.* Not just to people with the same phone company. Not just to a certain area code. Not just to one foreign country. But to every country you call with Sprint. Every company. Everybody.

*Business Clout rates effective 6/3/92 versus AT&T direct dial rates effective 1/2/92. Based on typical Sprint customer calling patterns. Monthly minimum

iments to I on their new r small business. rs is better.)

The only plan you'll ever need is Business Clout.

Unlike the force-fit plans of other phone companies, Business Clout offers you the flexibility of Sprint Clarity.™

A simple new package of services which you customize to your unique business needs, and update as your needs change.

Only Business Clout saves on all incoming 800 calls.

MCI's new small business plan includes just one kind of 800 service. AT&T's plan doesn't include 800 service at all.

Business Clout does. Plus you'll save on other services your business needs most — like cellular, audio conferencing, calling cards, fax lines and WATS lines.

Only by July 31.

You must enroll by July 31. So call now for more savings, more simplicity, and more flexibility to meet your needs. That's what we call better. That's what we call Business Clout.

Call 1-800-800-CLOUT now.



Sprint.

Not just another phone company.™

and term plan required. Some conditions apply. All trademarks are property of their respective owners. © 1992 Sprint Communications Company L.P.

Circle No. 14 on Reader Service Card

MARKETING



PHOTO: BOB DAEMERICH

Matt Scoggin, right, works for Jerry Lumsden in an Austin, Texas, real-estate firm and competes in national diving meets.



PHOTO: GREN LEVRE—ALLSPORT

All plan to get involved again either in the 1994 Winter Games in Lillehammer, Norway, or in the 1996 Summer Games in Atlanta.

Following are three ways in which small businesses can become involved with the Olympics:

Sponsor An Olympic Event Or Athlete

Becoming an official patron of the U.S. Olympic basketball team cost about \$1 million this year. But the Barcelona Games comprise dozens of sports, some of which businesses could sponsor for amounts in the low five figures.

Consider, for example, white-water canoeing and kayaking. When the Olympic trials were held in May on the Savage River in western Maryland, the sponsors were not all major conglomerates. There were also small firms trying to reach specialized audiences.

Typical was PowerFood Inc., the Berkeley, Calif., manufacturer of PowerBars, which are billed as a "high-carbohydrate, low-fat athletic energy food." Company officials handed out thousands of the bars, strung up advertising banners, and gave out T-shirts, hoping paddlers might wear them during competition.

"I saw canoe-kayak as a way to reach the market we're trying to attract," says PowerFood promotions executive Laurel Lynch. "These are high-endurance athletes who require a lot of fuel for training. Our product can be a real staple of their diet. Plus, what better way to show that the bars are waterproof?"

Lynch says the hope is that canoeists and kayakers eating the product "will trend-set from the Olympic athletes down to the outdoor recreationalists."

Exposure is crucial for that strategy to work. Crimmins' study concluded that as many as 75 percent of sponsors' campaigns fell short in 1988 because they failed to promote their efforts adequately and ended up lost amid the barrage of Olympic-related advertising.

This year, it may be easier to attract attention—even for the smaller firms. NBC, which is broadcasting from Barcelona, plans to supplement its free, over-the-air telecasts with 1,080 hours of pay-per-view TV on three additional channels. Now, even a sport like kayaking will be more available to its TV-viewing aficionados.

If a paddler turns up in a PowerBar T-shirt, for example, or wearing Teva aquatic sandals supplied by Deckers Corp., of Carpinteria, Calif., the benefits could be enormous.

"We're trying to make our effort as visible as possible," says Jean McPherson, advertising and promotions manager for Deckers. "That's why we use the kayak team logo in all our ads. It gives us credibility."

Roaring Spring is trying a slightly riskier promotional strategy. The company has hooked its hopes—and several thousand dollars in endorsement fees—onto Darren Baker, a hometown cyclist who seemed likely in May to make the U.S. team.

If Baker falls short, the company probably won't derive much benefit from the endorsement. But if he wins an Olympic medal, Roaring Spring will have won the lottery.

Supply Needed Products And Services

In the lingo of the U.S. Olympic Committee, suppliers are in a category distinct from sponsors. But the payback is much the same.

Hundreds of American firms—both small and large—are providing everything to Olympic athletes from footwear to canned hams. One of these companies is the Jameson Pharmaceutical Corp. of Ontario, Calif., which is listed as the "official supplier of vitamins and minerals."

That means Jameson will provide tens of thousands of vitamins, in three formulas, to America's best athletes.

Ken Brown, Jameson's executive vice president of sales, marketing, and advertising, declines to say what the effort will cost his company, beyond noting, "It keeps going up" because the company has expanded its original promotional efforts. But whatever the cost, he says, "I think we'll make it back. No company before us was ever able to call itself the official vitamin. I think that [designation] will show tangible benefits."

Becoming an Olympic supplier is much more involved than shipping products with an Olympic logo on the label. Brown must constantly sift through a two-inch-thick U.S. Olympic Committee (USOC)

book of rules specifying what designs he may use on packaging and business cards, when he may advertise, and with whom he must consult on product contents.

"We formulated the vitamins with their approval," he says. "They told us to raise or lower various minerals, and we listened. The Olympic Committee is the guardian of the Olympic rings, and it takes that role very seriously."

While this is Jameson's first Olympic effort, it is the second for Maverick Ranch Lite Beef Inc., an eight-employee family firm in Denver that specializes in branded beef products. Maverick has spent \$1.25 million in the past four years providing its steroid-free meat to athletes—and an additional \$2.25 million telling people about its Olympic sponsorship. That seems a tremendous commitment for a company that has projected its sales for 1992 at just \$12.5 million.

"It's a bit of a risk, but it's worked for us," says company Vice President Rex Moore. "There's a good chance we wouldn't be in business today if we hadn't gotten the right to use the Olympic logo in our marketing."

"After we started with the USOC in 1987, our sales doubled every year for three years, and they're still increasing now. The Olympic tie-in gave us the credibility to get the message out."

Maverick is not shy about promoting its position on the Olympic table. It bills itself as "the beef behind the athletes," and it displays the Olympic logo in all of its ads and on product packaging. It sponsors incentive programs for independent butchers, sending Olympic pins, caps, and jackets to those who sell certain levels of its products.

Hire An Athlete

What business wouldn't take on a hard-working, highly motivated achiever who strives to live up to the Olympic ideals? Now you've got the chance.

Under the USOC's Olympic Job Opportunities Program (OJOP), which is run by the Ernst & Young accounting firm, more than 400 Olympic hopefuls have been put to work throughout the nation as professionals in all fields.

Notable graduates of the program include speed skater Dan Jansen, gold medal sprinter Jackie Joyner-Kersey, and heavyweight boxing champion Evander Holyfield.

The job-opportunities program seeks to resolve the historical dilemma of world-class athletes who are torn between continuing their Olympic pursuit and launching a career. It helps them find jobs that offer full-time pay and benefits, adjustable hours, and bosses who understand that the new worker might have to take off for a month.

"It was a life-saver for me," says Matt Scoggin, a three-time U.S. platform diving

champion and a favorite to make this year's Olympic squad. "I've reached the age [28] where it was getting late to start in the business world. And, considering that I train six hours a day, I needed a place that would be flexible."

The Olympic jobs program found Scoggin work at the Austin, Texas, office of CB Commercial Real Estate, where he is studying to become an investment broker.

There's a good chance we wouldn't be in business today if we hadn't gotten the right to use the Olympic logo in our marketing.

—Rex Moore

While an arduous diving schedule limits his hours in the office, he typically works through lunch and, when possible, in the evenings.

"I feel compelled to work harder," Scoggin says. "I realize that I have a terrific opportunity here. It's rare for an athlete to strive for his dreams and prepare for an actual future in his business at the same time."

Scoggin's boss, Jerry Lumsden, is

equally positive. "The kind of motivation Matt brings to diving carries over in his professional work," Lumsden says, adding that Scoggin's presence has had a beneficial effect on the entire 23-person office. "We're all vicariously involved in his diving and all geared up for the Olympics," he says. "It's been great for staff morale to watch our co-worker on TV."

Scoggin's presence has also provided great public relations for the business. A local news show did a five-minute piece on the diver and his employer. And the Austin newspaper carried a similar story and a large color picture of the diver.

"We didn't hire Matt for the exposure," Lumsden says. "We hired him because he's a good worker. But the extra side benefit makes this a win-win deal for everyone."

"Besides, it's just nice to feel a part of the Olympic effort."

How To Become A Sponsor

Companies seeking information on sponsorships should write to William B. Campbell, Director of Corporate Participation, U.S. Olympic Committee, 1750 East Boulder St., Colorado Springs, Colo., 80909. Those interested in hiring an athlete should write to Mary Klever, manager of the Olympic Job Opportunities Program, at the same address, or call (719) 578-4535.

NB

BEFORE YOU SPEND A FORTUNE, LET US GIVE YOU OUR TWO CENTS.

If you're thinking about expanding your business, you can never be too well informed. About construction costs. Contractors. Aesthetics. Functionality. It all adds up. At Varco-Pruden Buildings we specialize in helping businesses prosper. Varco-Pruden's leadership position has been earned by its advanced computer design techniques (Custom Concept) and superior ser-

vices that back authorized Varco-Pruden contractors. That means you maximize your return on investment. If you're thinking about building a facility, call today for our free brochure, "A Guide To Building Planning And Construction." We can help build your future.

1-800-238-3246



Varco-Pruden Buildings

A United Dominion Company

Built On Superior Service
8000 Poplar Ave. Memphis, TN 38137-9031

NB-07-92

Turn Your Workers Into A Team

By Bradford McKee

In many companies striving to achieve total quality management, the formation of employee teams provides what Dennis Circo calls "motivational glue."

Circo is president of Precision Industries Inc., a distributor of industrial parts, in Omaha, Neb., which badly needed the glue—and the motivation—when it ran

Managers who have been successful at team building say it gives workers more control over their jobs, encourages creativity, and gives employees a bigger stake in the company.

"Those of us who run a business realize the employees have the most power," says Mary M. Tjosvold, who heads Mary T. Inc., a 600-employee company in Minnea-

The push for quality is driving team-building efforts in small and mid-size firms.

tions for setting up teams in your company.

The Types Of Teams: Take Your Pick

Employee teams are organized in any of several ways in companies, depending on each team's purpose.

Many firms, like Tjosvold's, have assembled a variety of types of teams for diverse challenges:

Task Forces. Most managers would recognize a task force, a temporary group of players responsible for bringing about particular changes. At Mary T., a task force was formed to implement a smoke-free policy in the workplace within 18 months.

At Master Industries Inc., a plastic-injection molding company in Ansonia, Ohio, a task group was given the temporary assignment of procuring the firm's brooms and dustpans and finding places to hang them in the work area.

Quality-Assurance Teams. Like Dennis Circo's Precision Industries, Mary T. regularly uses teams to guarantee quality of services and products.

Mary T.'s quality team consists of several staff members who visit the firm's clients and "make sure that the programs we run are up to the standards we set," says Tjosvold.

Cross-Functional Teams. Cross-functional teams exchange expertise. Often, team members are trained in each other's jobs to speed production or to substitute for others during a crunch.

Another type of cross-functional team brings together the knowledge of various work areas to come up with solutions to operational problems.

Precision Industries put together a team of people from three departments to improve its computer invoicing. Employees from the collections, data-entry, and customer-service departments meet with the firm's software developers to iron out practical problems with the writing of the software.

"We would chart out how to solve those problems in fairly short meetings and come up with three or four solutions," says Mike Keim, chief financial officer for Precision Industries. "All of it is not only working but we have state-of-the-art technology."



"I've always managed with a team," says Mary M. Tjosvold, center, head of Mary T. Inc., meeting with board of agents team members Debra Kenney, Bev Blaschko, and Pat Pratt-Cook.

into a major problem that can accompany rapid growth. Sales soared from \$34 million in 1987 to \$61 million last year. Product quality fell as pressure to produce more intensified, Circo says.

The company turned to a total-quality approach. It organized the staff into "quality groups" assigned to identify operational problems, to set higher production goals, and, most important, to meet customer expectations.

The "quality group" is one of several kinds of employee teams being formed in small and mid-sized businesses. Employee teams are managing entire divisions in some companies; in smaller businesses, they are taking on responsibility for everything from housekeeping to product development, from employee discipline to compensation.

polis. For that reason, she says, "I've never had a hierarchy. I've always managed with a team."

Tjosvold, who also has written a book about building teams, is chief executive officer of the company, which provides residential social services for people with disabilities.

Employees may have a good deal of sway within a company, Tjosvold says, but the greatest influence over a business should come from its customers, she adds. Mary T.'s organizational chart "puts the clients in the center," Tjosvold explains, and the company's teams revolve around them.

Here are some of the major types of teams that business owners and consultants say can lead to quality improvements within a firm, followed by specific sugges-

Product-Development Teams. At Master Industries, new products—mostly molded plastic parts such as those for automobile interiors—are conceived by a team that, like the purchasing group, represents several areas of expertise, says Santino "Sunny" DiGirolamo, the firm's systems-improvement specialist. The team assigned to improve product development includes the manager of mold-building, the manager of quality control, the engineering manager, the production chief, and DiGirolamo himself as systems expert.

"Self-Directed" Teams. A self-directed team is appointed to manage itself because the team members are those employees most familiar with a particular aspect of the company.

DePalma Hotel Corp., a hotel-management firm based in Dallas, uses self-directed teams of executives to improve operations at each of the 15 hotels it manages nationwide. The managers of sales, food service, customer service, and housekeeping all meet to trade ideas for improving service.

"No one is boss on that committee," says CEO Joseph DePalma. "It's a meeting where people come to look forward to participating, instead of coming just to listen to the general manager."

At Master Industries, Cheryl Clouse, a production associate, has worked on a self-directed team that runs the molding-machine shop. Together, she says, the team's members keep logs on machine gauges and work flow.

"Years ago, someone would come up and change the pressure on the machine and would never record anything," she says. Now, machine settings are recorded twice a day by team members. "That way, the next time it runs, you can go back to the process logs, and you can tell where it ran best."

As a group, Clouse's team is accountable for efficiency and productivity in its area. "We try to work on a consensus," Clouse says. "Somebody doesn't sit in the front office and say, 'It should be done this way.'"

The quality-assurance team at Mary T. also directs its own activity, and another team is moving toward self-management. The self-governing team draws up its own budgets and schedules, and it even decides its own disciplinary actions. "When they can't do that, they call me in," says Tjosvold.

The self-directed team also appoints, by rotation, a person to be the "single point of contact" to whom Tjosvold could go immediately for answers to questions on the team's work.

Setting Up A Team Organization

The task of setting up work teams among employees should begin at the top of the



PHOTO: GILBERT & WYCK

Santino DiGirolamo, a systems-improvement specialist at Master Industries (in white shirt), working with Les Crowell; at rear are Cheryl Clouse, Mel Hocker, and Jane Dynes.

company, say organizational specialists who help businesses build teams.

Following are points that top managers should consider when starting to build teams:

Look at feasibility. Will team building work in your company? "It depends on where the company is," says Linda Moran, executive consultant with Zenger Miller Inc., a management firm in San Jose, Calif. "If the company has a vague

notion that it wants to do team building and hasn't done any, start with a feasibility study," she says, and try to determine how long it will take and the kind of commitment that would be required.

Identify priorities. Look carefully at your organization's position from a quality standpoint: Examine customer complaints, customer needs, the capacity of your production process, the amount of waste, loss, and work that needs to be redone, says Peter R. Scholtes, a senior consultant with Joiner Associates Inc., in Madison, Wis. Employee input is crucial at this stage.

"Come up with the most important needs for improvement ... just a few," says Scholtes.

Define your firm's mission and objectives. Before a company can begin building teams, it must have its mission spelled out, says Norm Smallwood, a partner at The Core Team, a consulting company in Hammond, La.

For example, one of Smallwood's clients, Tony Chachere's Creole Foods Inc., in Opelousas, La., put its mission statement at the top of its team-building plan. It reads: "Our mission ... is to be the leader in customer satisfaction by producing superior products from a total-quality workplace."

Such a statement sets up "a common vision of the behavioral culture" of the firm, and employees can always refer to it, says Smallwood.

Uncover and eliminate barriers to team building. There are three general types of barriers to team building, says Philip R. Thomas, chairman of the Tho-

For More Information

The following five books can help you find out more about building teams in your company. At the end of each listing is the phone number you can call to order the book.

Self-Directed Work Teams: The New American Challenge, by Jack D. Orsburn, Linda Moran, Ed Musselwhite, and John H. Zenger (Business One Irwin), \$39.95; 1-800-634-3966.

Empowered Teams, by Richard S. Welins, William C. Byham, and Jeanne M. Wilson (Jossey-Bass), \$27.95; 1-800-933-4463.

Leading The Team Organization, by Dean W. Tjosvold and Mary M. Tjosvold (Lexington Books), \$22.95; 1-800-257-5755.

Participative Management, by Lorne C. Plunket and Robert Fournier (Wiley), \$24.95; 1-800-225-5945.

Successful Team Building, by Thomas L. Quick (American Management Association), \$10.95; 1-800-538-4761.

MANAGING

mas Group Inc., a consulting group in Irving, Texas.

They are "subject-matter" barriers, which prevent product improvement because of a lack of expertise; "process" barriers, such as a requirement that a document be reviewed by 10 managers rather than three; and "cultural" barriers, evident when an employee says, "That's the way it's always done."

Look at your company's processes, Thomas advises, and decide whether they can be made more responsive to customer needs.

Start with small teams. Begin team projects and planning in a "pocket" of the company, says Moran at Zenger Miller. It may be helpful to begin with a "design team," representing a cross section of the company and assigned to create the other teams, she says. "The smaller the organization, the more success there is in getting teams up and running."

Moran suggests picking an area of the firm where work is under control and running smoothly.

But don't stop there, she adds; plan to complete the team process throughout the firm. "It's not fair to go into it with a pilot mentality," she says. "You can't put the wall back up once you've taken it down."

Train your teams. At the outset, top or middle managers should offer all their help and guidance to the teams as they find their purpose and boundaries, says Richard S. Wellins, a senior vice president at Development Dimensions Inter-

The smaller the organization, the more success there is in getting teams up and running.

—Linda Moran,
Executive Consultant,
Zenger Miller Inc.

national, a Pittsburgh consulting company.

The main areas of training needed, Wellins says, will be communication training for effective meetings and planning, skills training for cross-functional teams, and training for quality improvement—that is, how to look for root causes of customer problems. With time, the team will gradually set its own direction, Wellins says.

Managers should let go. Executives in a company where teams are being created must "let go and let team members make mistakes and trip and fall," says Moran. She does concede that "it's hard to step back and let that happen to an employee."

Give feedback and development support. "A modest amount of feedback" will help guide the team, says Robert E. Kaplan, senior fellow at the Center For Creative Leadership, in Greensboro, N.C.


What team members need most, Kaplan says, is support for their personal development. "Organizations are frequently too quick to replace people who are problematic. They overlook opportunities to help those people get better at what they do."

Push for expedient results. In a recent *New York Times* article that they co-authored, management consultants Ronald Ashkenas and Robert Schaffer, of Stamford, Conn., warned that managers "lose sight of the goal and get caught up in the hustle and bustle" of quality-improvement programs. It is a mistake not to push your staff to achieve higher quality, they wrote. "Management can begin by asking people to make specific, measurable improvement in two or three months—instead of three or four years."

Most companies that are setting up teams are doing so as part of a larger quality program, as Precision Industries has been doing for a year and a half, and as Mary T. did 14 years ago.

In fact, "teamwork is not enough," consultant Peter Scholtes says. Teamwork, he says, must be accompanied by the usual battery of total-quality-management methods, such as an intensive focus on customer satisfaction, the statistical tracking of production flow, and making operational improvements through trouble-shooting.

Team efforts have brought such improvements to Master Industries that they are in place to stay, says systems expert DiGirolamo. "Everybody has their own body of knowledge" about Master Industries' production process, he says. "You need to synthesize those together to get the best out of the organization." ■

 To order reprints of this article, see Page 67.

TAKE A CLOSER LOOK



AND SEE WHY
SOUTH CAROLINA
RANKS AS ONE OF THE
NATION'S TOP TEN
LOCATIONS FOR
MANUFACTURING.

For a free Prospectus contact:

Palmetto Economic Development Corporation
Representing General Electric Power Corporation and Santee Cooper
1201 Main Street, Suite 1710 • Columbia, SC 29201-5211
Phone: (803) 254-9211 • FAX: (803) 771-0211

Seminars On Quality

Small companies that want to learn more about how total quality management principles can be incorporated into their operations have a new learning opportunity.

A series of 10 satellite television seminars this fall will specifically target small firms. The series is being produced by the U.S. Chamber of Commerce in conjunction with the Juran Institute Inc., of Wilton, Conn., Joiner Associates, of Madison, Wis., and Philip B. Crosby, founder of a quality-management firm that he now serves as a consultant. The Institute and Joiner Associates are among the foremost

total quality management education and training organizations.

The seminars will be broadcast from the Chamber's Washington studios to sites throughout the nation. Topics will include total quality management, quality improvement, quality leadership, team process, and "benchmarking"—comparing a company's practices to similar practices at companies that handle them better.

The broadcast dates are Sept. 17, Sept. 23, Sept. 30, Oct. 8, Oct. 15, Oct. 21, Nov. 4, Nov. 18, Dec. 2, and Dec. 8.

For more information, contact Alan A. Wheeler, vice president/quality learning services for the U.S. Chamber, at (202) 463-5570.

MARKETING

The Move Toward Ethnic Marketing

By William Dunn

At Pleasant Co. in Middleton, Wis., designers and marketers are busy developing the first black doll in the company's popular American Girls Collection.

In Los Angeles, fashionable women stream into the Kayla Beverly Hills salon for makeup tips and cosmetics. Most are Asian-Americans, drawn by cosmetics specifically formulated for them.

Ten miles away, on the 14th floor of a Los Angeles skyscraper, the eight staff members of the Gulf Atlantic Life Insurance Co. talk strategy—slipping from English to Spanish and back. The Hispanic-owned company targets the insurance needs of Southern California's Spanish-speaking residents.

At Prince Georges Plaza, in suburban Prince George's County, Md., near Washington, D.C., shoppers may choose among national chain stores and several small shops catering to the county's large, upscale black population. African Eye offers designer women's fashions from Africa, and Pyramid Books stocks its shelves with a wide range of titles dealing with African and African-American themes.

Across America, small businesses increasingly are seeking opportunities like these to serve the tastes and needs of the nation's burgeoning minority groups.

From 1982 to 1987, for example, the number of small, minority-owned firms—many of which serve their own ethnic communities—shot up. The total number of Asian-owned firms increased 89 percent, to 355,331; Hispanic-owned firms were up 81 percent, to 422,373; and African-American firms were up 38 percent, to 424,165.

The computer revolution, along with the increasingly sophisticated use of demographic information on racial and

ethnic groups, is making the task of marketing to specific groups easier. Indeed, the growing availability of such information is propelling the move toward ethnic marketing.

"We've moved into an age of micro-marketing and away from macromarketing," says Peter Doherty, an analyst for Impact Resources Inc., a marketing research firm in Columbus, Ohio. "What

Small businesses increasingly are seeking ways to serve the needs of the nation's growing minority groups.

million in 1980 to 248.7 million in 1990. This 9.8 percent increase in the past decade is the second-slowest growth rate in 200 years. But 30 percent of the growth that did occur came from immigration, and over 70 percent of the immigrants were Asian or Hispanic.

Asians are the nation's fastest-growing minority group, increasing 108 percent in the 1980s, to 7.3 million from 3.5 million.

The Hispanic population grew 53 percent; its 7.7 million growth—to 22.3 million—was the biggest numerical gain of any minority group.

Blacks, who remain the largest minority, saw their numbers increase during the decade by 13 percent, to 30 million from 26.5 million. In contrast, the number of non-Hispanic whites grew by 4.4 percent, to 188.1 million from 180.3 million.

By 1990, 24.4 percent of the 248.7 million people in the U.S. were members of minority groups. This compares with 20.4 percent in 1980. The minority population could increase to almost 33 percent by 2030, according to a 1989 study by the Population Reference Bureau, a demographics-research organization in Washington, D.C. Although the income levels of the various groups vary greatly, Census Bureau figures show that all have significant market clout. Asian-Americans have the nation's highest household income and educational attainment—not just among minorities. In 1990, the median household income of Asian-Americans stood at \$38,450, compared with the national median of \$29,943 and the median \$31,231 for white households, according to the Census Bureau.

Even though poverty rates for blacks and Hispanics remain troublingly high, particularly when compared with the rates for whites

and other minority groups, the black and the Hispanic middle classes have grown dramatically over the past two decades.

The Bureau of Labor Statistics calculates that in 1989-90 the typical black household spent \$18,586, which included \$6,257 for housing and utilities. With 9.3 million households, that adds up to a \$172 billion market. Hispanic households that



Cosmetics for Asian-Americans bring in \$8 million a year for Michael Ghafouri's firm, Kayla.

marketers are trying to do is identify segments within the marketplace where they can position their products."

Ethnic marketing isn't a fad. The underlying demographics, detailed in the 1990 Census, indicate that marketing to targeted minority groups is a sound business strategy.

The U.S. population grew from 226.6

William Dunn, a free-lance writer in Chevy Chase, Md., is the author of Selling The Story: The Layman's Guide to Collecting and Communicating Demographic Information (American Demographics Press, Ithaca, N.Y.).

MARKETING



PHOTO: GREG WHEELER—BLACK STAR

Spanish-speaking Southern Californians are prospects for Frank Cruz, left, and Manuel Sanchez of Gulf Atlantic Life Insurance.

year spent an average of \$23,432, including \$8,001 for housing and utilities, making their 6 million households a \$141 billion market.

Ethnic marketing generally refers to one of three strategies or to combinations of these strategies:

- Developing a particular product for a specific group.
- Stocking and marketing existing products of special interest to particular groups.
- Adjusting promotional and sales efforts to target a specific group.

Kayla, the Beverly Hills cosmetics company, and Pleasant Co., the Wisconsin doll manufacturer, have each designed and manufactured new products aimed at specific ethnic or racial groups.

"In my travels, I realized that Asians

buy a tremendous amount of cosmetic products," says Michael Ghafouri, 39, a former Max Factor executive who launched Kayla in 1990. Within two years, Kayla's sales reached \$8 million.

"We are no different from any other company, with one exception. We identified these gaps, and we came up with the solution," says Ghafouri. "It was bound to happen. And, when it happens, people usually say, 'Whoa, how come I didn't think of it?' And I always say, 'Why didn't I think of Hula-Hoops?'"

Pleasant Co. spokeswoman Andrea Ernst says the firm's development of its first black doll "is a recognition of the fact that America is a diversified country. We wanted to reflect that for the children and their parents."

The new black doll will be the first nonwhite doll in the company's historical collection, which includes four dolls from eras ranging from Colonial times in Williamsburg, Va., to the 1940s. Pleasant's New Baby Collection, introduced in 1990, includes a black doll, an Asian one, and a white doll. The company has been manufacturing dolls for seven years. The dolls clearly are targeted at an upscale audience; they sell for \$88 apiece, and each comes with a hardcover book about the doll. Company sales topped \$65 million last year.

Another firm tapping into a minority market is Pyramid Books. Like many other types of specialty stores, Pyramid

takes the hassle out of tracking down products not routinely stocked in a mass-market store.

"We're a specialty store. That's our niche," says Hodari Abdul-Ali, 37, founder of Pyramid Books. "There is enough room for us to grow even within that niche." Because Pyramid doesn't have the resources that the major chains have, Abdul-Ali says, his competitive edge is his company's service. "That means that we have to do that little bit extra to keep our customers happy."

A big part of that is detective work—knowing where to track down elusive books and how to obtain them quickly.

"The African-American community is a market that is crying out for attention," Abdul-Ali contends. Offer attention and a good product, he says, and the customers will flock to your door.

Following that advice, African Eye recently attracted a thousand women to a fashion show at Prince Georges Plaza. The show featured the latest creations by Alfadi, a high-fashion Nigerian designer, who also hosted the show.

African Eye offers dresses and outfits that blend African and Western influences and are priced at \$50 to \$600. Says Mozella Perry Ademiluyi, the 38-year-old president and co-founder of African Eye: "Our customer is professional, 30 to 65, has an income level of \$30,000-plus, and often is well-traveled. They don't just want to wear something that is African. They want something that is well-tailored, unique, and creative as well." She opened the Prince Georges Plaza store last December.

Less than three miles from Prince Georges Plaza is the bustling Asian Village International Supermarket, a 2-year-old grocery store. Its principal edge over large chain-store competitors is that it sells "all kinds of vegetables and meats you wouldn't find in a regular supermarket," says the manager, Jesse Tanchanco, a 34-year-old Philippine immigrant.

Among his best customers are Asian students—particularly Chinese—from the nearby University of Maryland who long for their favorite dishes. Vegetables at the market include Shanghai bok choy, mustard greens, rau mung, lemon grass, jute leaves, and Chinese broccoli grown by entrepreneurial Asian immigrant farmers in Florida and California.

"It reminds our customers of home. Plus, for them, this is like one-stop shopping," says Tanchanco, pointing across the narrow parking lot to a restaurant, a delicatessen, a bakery, an optician, and a jewelry shop—all mom-and-pop operations run by Asians and targeting primarily Asians.

Regardless of the goods or services they're marketing, all businesses going after minority consumers must fit the message to the specific target group. "I think tailoring a message is more impor-

Tips On Marketing To Minorities

When they see advertising for a product or service aimed at their particular minority group, consumers "want to see a representation of their people in the message," says Peter Doherty, an analyst with Impact Resources Inc., a Columbus, Ohio, consulting firm.

He stresses sensitivity to cultural and language differences. "When you're trying to send a message to, say, the Cuban consumer in Miami, don't have a [non-Cuban] Hispanic that the Cubans cannot relate to," Doherty says. "You have to do your homework."

If you don't do your homework, you can be sure that competing marketers will.

Here are some other tips aimed at

helping firms target ethnic markets:

■ Never assume anything about your target audience; verify through research and interviews.

■ Avoid stereotypes in profiling your target market and advertising to it.

■ Just as all whites certainly don't act or think alike, neither do all African-Americans, Asians, or Hispanics. Each group is diverse, which creates challenges, but it also creates opportunities for marketers who spot the differences.

■ Advertise locally. Advertisers trying to reach ethnic groups often achieve better results through community newspapers, radio stations, and cable TV than by using mainstream media.

■ Keep the advertising message simple and friendly. Many minority consumers are immigrants who are not fully assimilated or conversant with American ways of commerce and consumerism.

tant than anything else," says Doherty, of Impact Resources.

There are several related elements to successful minority marketing/advertising: finding the appropriate advertising message and messenger, the media best-suited to deliver the message, strategically located sales outlets where customers can conveniently go for the goods and services, and a helpful sales staff drawn at least in part from the target community.

Frank Cruz, 52, who quit a network TV job in 1990 to launch Gulf Atlantic Life Insurance Co. with a friend, says the company's ads are geared to Hispanics' strong family orientation. "Our pitch to them is to start saving for your kids while you're here. We know you're hard-working; we know you're educating your children. We want you to start thinking about saving for the future of those kids through insurance products and commodities."

Unlike corporations with expensive national ad campaigns, small ethnically oriented businesses are more apt to run low-cost ads in community newspapers, on cable television, or on local radio programs serving specific audiences.

For most mom-and-pop shops, advertising is even more modest than that—typically no more than fliers and word of mouth. Says Ademiluyi of African Eye: "Word of mouth has been fantastic for us. It's one of the best forms of advertising."

Cruz, of Gulf Atlantic Life Insurance, says that Hispanics who have not been in the United States long enough to become proficient in English do not turn to network television or major, nationally distributed newspapers for information. Thus, to use those media to advertise to them, he says, "is ludicrous. You go to the Hispanic media to reach them. If you're in the Los Angeles area, you have eight or nine AM and FM radio stations—all Spanish-speaking."

Pyramid Books advertises in such publications as the *Washington Afro-American & Tribune*, the *Baltimore Afro-American*, and the student newspaper of Howard University, in Washington, D.C., as well as in fliers and by direct mail.

While Pleasant Co. does some magazine advertising, it promotes its dolls and accessories primarily through its catalog, which is sent to households that have made previous purchases and to people who—often after being referred by friends—call a toll-free phone number. Pleasant books are also available through bookstores.

To establish contacts and understand the members of the ethnic or racial group that is being targeted, it may be a plus if the entrepreneur is a member of that group, but it's not essential. Pleasant Rowland, the 51-year-old founder of Pleasant Co., is white. Her firm, with multiracial dolls and books designed to be educational and fun, aims to appeal to all girls.

Rowland has assembled an advisory board of six African-American educators, curators, and historians to help with the concept, story development, and authenticity of the black doll from the Civil War period. Six books will chronicle her life. "Her stories will deal with her moving from slavery into freedom at the end of the Civil War," explains company spokeswoman Andrea Ernst.

"We are looking into the possibility of developing a relationship with a black advertising agency so that we can explore and develop all the proper channels and make sure that we are doing things correctly and appropriately for the minority community," Ernst adds.

Kayla's Michael Ghafouri is an immigrant from Iran, yet he has gone to the trouble of learning the tastes and preferences of other Asians by listening to his



PHOTO: GREGORY BUCHANAN

Ethnic dolls made by Pleasant Co. acknowledge U.S. diversity.

customers and giving them what they want. He also employs Asian-Americans as sales representatives and salon operators to serve the customers.

As minority groups grow in numbers, so do the opportunities for businesses wanting to serve this diverse market.

"Quiet as it's kept, the United States is becoming increasingly populated by people of color," says Abdul-Ali of Pyramid Books. "Any smart business person is going to look at the trends and make adjustments."

Sources Of Marketing Data

Census data can help businesses locate potential ethnic markets. Printed results of the 1990 Census provide population counts down to the local level, according to race and Hispanic origin.

More-detailed Census data, in some cases down to the block level, are also available by computer in several formats. The *Census Catalog & Guide 1991*, available at many public libraries or directly from the Census Bureau, lists all Census reports, computer products, approximate date of availability, and cost.

Printed reports, many of them on file at libraries, are for sale, usually for several dollars from the Census Bureau. Computer products can cost hundreds of dollars.

Also listed are the addresses of State Data Centers and Business and Industry Data Centers, which are local repositories of Census reports and computer products. The Census Bureau also maintains regional offices in a dozen major cities, including Atlanta, Chicago, Dallas, Los Angeles, and New York. They are listed in the phone directory under federal government.

For more information, call the Census Bureau's Public Information Office, (301) 763-4040; or its Data User Services Division, (301) 763-4100.

In recent years, a whole new computer industry, called geographic information system (GIS), has sprung up. GIS uses

Census and other important demographic, economic, and sales data to create digitized, colored maps that illustrate market conditions and identify areas of opportunity or saturation.

GIS software creates color maps that could, for example, spotlight areas where specific racial and ethnic groups are concentrated by neighborhood. Other variables can be added, such as household size and education levels, as well as the locations of a company's stores and those of its competitors within a given radius.

The *1991-92 International GIS Sourcebook*, published by GIS World Inc., Fort Collins, Colo., is a 604-page directory of marketers of GIS hardware and software, with descriptions of their products. The directory costs \$49.95 and can be ordered from GIS at 1-800-GIS-WRLD.

A Capital Option: Finance Companies

By Joan C. Szabo

Margaret Thacker, who owns and operates a warehouse distributorship for automotive paint and body-shop supplies in Atlanta, has always maintained a good lending relationship with her local banker. Last year, however, the bank tightened its credit requirements and began increasing the cost of funds to Thacker's firm.

The bank told Thacker the interest rate on her credit line was going up, she says, "because the company's sales ratios were not in compliance with our loan requirements." To avoid paying higher rates, Thacker began looking for an alternative source of financing.

Started in 1945 by her father, Thacker's firm, Official Products Co., Inc., has annual sales of \$9 million. Fortunately for her company, Thacker located and obtained an attractive revolving-loan agreement with an asset-based division of Textron Financial Corp. Textron Financial, a subsidiary of Textron Inc., is a major financial-services company headquartered in Providence, R.I.; the asset-based division is in Atlanta.

Obtaining capital through Textron has supplied the company with needed operating capital. Says Thacker: "A finance company is easier to get along with. It sees your needs. As long as the assets are there, Textron doesn't panic."

Official Products is similar to many small firms that continue to find bank financing too costly or too difficult to obtain. As a result, many small businesses that once were eligible for bank loans are now turning to finance companies.

Finance companies are secured lenders. They provide funds that are backed by the borrower's assets. This collateral includes accounts receivable, inventories, and plant and equipment. Thacker's loan is secured by the first two.

Secured lending generally involves a revolving-loan concept. The borrower establishes a pool of working capital with the lender. Funds are drawn only as needed—and in the amounts needed—to pay bills, build inventory, meet payroll, or to achieve various other corporate purposes.



PHOTO: SUDE STEWARTSON

Business owner Margaret Thacker and Textron Vice President B.J. Carter.

The dollars available from asset-based financing also let borrowers take advantage of cash discounts from suppliers, which helps defray financing costs.

The performance of a business receiving capital through a finance company is monitored daily, enabling the finance company to reduce its loan exposure if a business begins to deteriorate, says Steve Rosencranz, president of Creekwood Capital Corp., in Houston.

Creekwood is a small finance company that makes loans of \$1 million to \$5 million to small and mid-sized companies. "Every day I know what my customer's sales were for the previous day," he says. "In this way, we have control over what we are going to lend to the company."

It is easier for a company to win a credit line with a finance company than with a bank, say experts in the industry. "A bank's credit requirements are much higher than a finance company's," says Irwin Teich, division president of

Many small firms that find bank financing too costly or too hard to get are turning to finance companies.

Barelays Business Credit, Inc., in Atlanta.

Finance companies do charge small-business borrowers higher interest rates than banks generally charge, however. The higher rates are in part a result of the greater amount of loan servicing that finance companies perform, says Teich. The interest rate can be 3 points or more above the prime rate on the money the finance company advances a firm on its collateral.

The ability of smaller finance companies to lend to small firms has been somewhat hindered recently. This is because the finance companies borrow their funds from banks, and the banks have not been lending to them as readily as they had in the past, says Rosencranz.

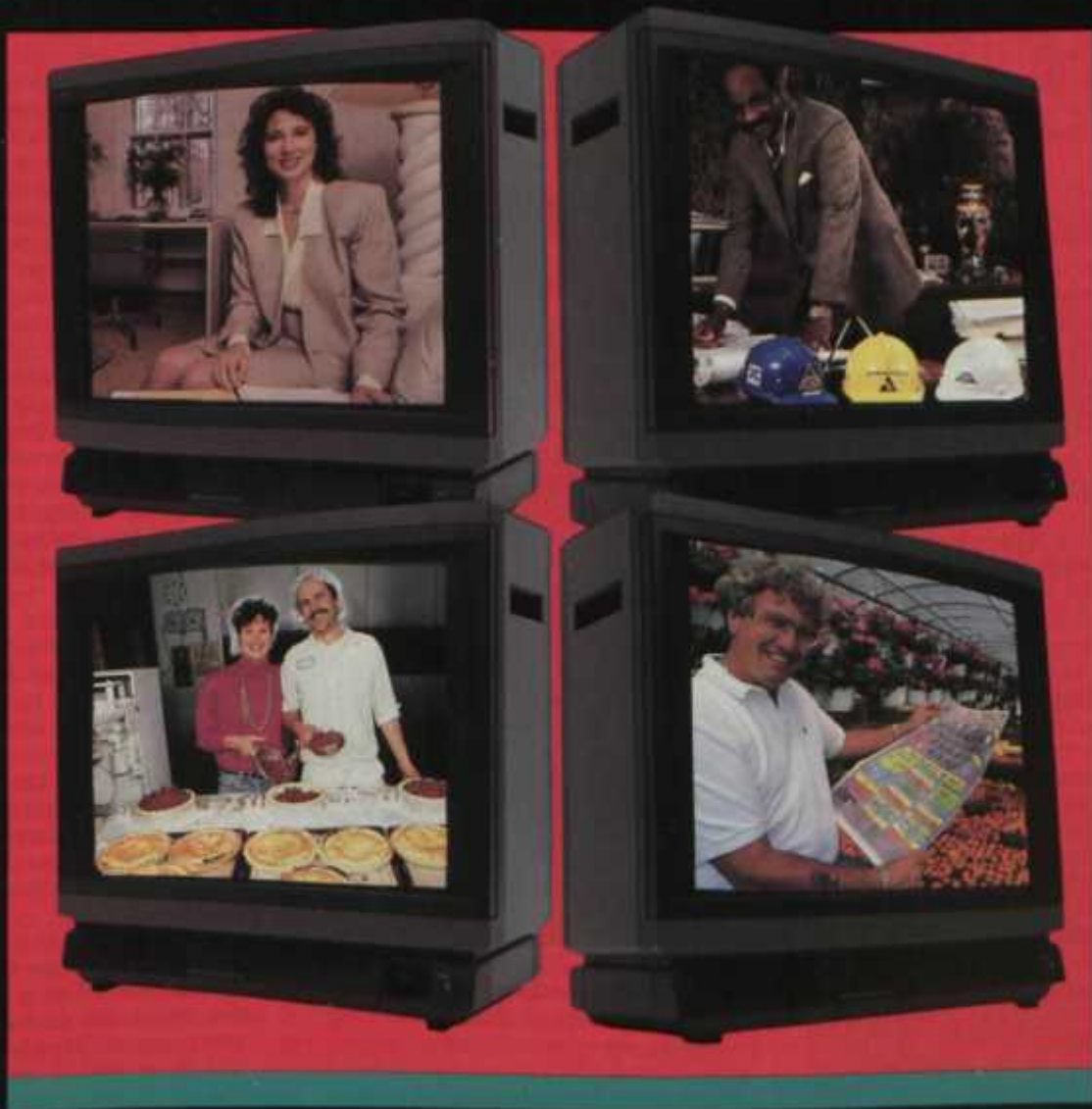
Having less difficulty with obtaining capital are larger finance companies that obtain their funds from the commercial-paper market. Textron, for example, raises funds in this manner. "We are seeing a lot of small lenders coming to us for capital because many banks are not lending to [smaller] finance companies the way they used to in the past," says B.J. Carter, vice president of Textron.

If your firm is small and you want to borrow from a finance company, you first must have collateral. "We have to have what we consider liquid assets, such as accounts receivable and inventory," says Jack Hoekstra, senior vice president of Transamerica Business Credit Corp. in Chicago.

Next, ask your attorney, accountant, or even your banker to recommend a good finance company. Also, the Commercial Finance Association, in New York City, can provide a roster of its members, which are asset-based-financing companies.

Know exactly how much you wish to borrow. Some finance companies lend only to firms needing \$5 million or more; others lend in the range of \$1 million to \$4 million. Because of their lending requirements, finance companies may not be useful for start-ups or very small firms. If your company qualifies, however, this financing source can be a useful alternative to traditional bank borrowing. **NE**

BIG NEWS FOR SMALL BUSINESS



The big news is **First Business** on the USA Network: the only weekday news program focusing on small business. With useful how-to reports and profiles of successful companies recognized by the Blue Chip Enterprise Initiative.

Monday - Friday, 6:30 a.m. EDT/PDT, 5:30 a.m. CDT. Check your local cable TV listings.

**USA
NETWORK**

Look for these Blue Chip Enterprise companies:

July 2 - National Customer Engineering, San Diego, CA

July 9 - Cortland Line Company, Cortland, NY

July 16 - Kenda Systems, Inc., Salem, NH

July 23 - Holt, Hughes & Stamell, Inc., Portland, ME

July 30 - Patrick's Food Service, S. Burlington, VT



Barton Eckert,
anchor of
First Business

A joint presentation of



**Connecticut
Mutual**
The Blue Chip Company



**U.S. Chamber
of Commerce**

TECHNOLOGY

Big-Time Image Enhancement

By Jon Pepper

You've computerized your accounting records, put your budget on a spreadsheet, and delegated routine correspondence with a word processor. What's the next step?

For many firms, the answer is desktop publishing.

A desktop-publishing program (also referred to as page-layout software) lets you give a more professional appearance to all of your documents, from memos and price sheets to technical manuals and even annual reports or presentations.

By doing all or most of the design, layout, and printing work in-house, you can slash printing costs, cut turnaround time, and make even the smallest company look more professional.

But the key questions may well be when you should move to desktop publishing and why you should do it—if you do it at all.

Can't high-end word processors deliver the same sort of spiffy-looking documents?

The short answer is no.

"Even the best Windows word processors aren't as easy [to use] when it comes to creating a high-quality document as a desktop-publishing program is," says Dana Peck, who works in the economic-development department at Pacific Power and Light in Portland, Ore.

While there aren't any hard and fast rules about when to move from your word processor to a desktop-publishing program, there are at least some appropriate measures to help judge your situation.

For general correspondence, large-scale text entry, or the myriad specialized features such as tables of authorities or grammar checkers, you are better off with a word processor. But when the output must be of the highest quality or when you want to prepare material for an outside printer, page layout is the clear choice.

Says Brian Farison, a design engineer at Sealed Air Corp., in Danbury, Conn.: "Any time we want a document that looks really nice, we do it in PageMaker," one of the leading desktop-publishing programs.

Even though high-end word processors offer various type styles and can even integrate graphic elements, the best

products are crude compared with the type of output and features you can get with page-layout software. This is particularly true when it comes to the overall quality of the typography and the ability to manipulate blocks of text and graphics, or to view multipage documents.



PHOTO: STEVE BLOCH-BLACK STAR

To produce quality documents, you need a publishing program, says Dana Peck, of Pacific Power.

"It becomes unmanageable to view a technical manual on a word processor," says Farison. By using desktop-publishing software, Sealed Air has eliminated outside art help for preparation of documents and has slashed costs at the same time.

"We get better quality, faster turnaround, and tighter editorial control—the difference is really like night and day," says Farison.

But before you plunge into desktop publishing, consider these three points:

First, sophisticated desktop-publishing software demands a lot of horsepower, so you may have to set up a single high-end system for that purpose, with the fastest available processor, a high-quality large

Is it time for you to move to desktop publishing? Here's help for making your decision.

monitor, and a great deal of memory and storage. Such a system can easily cost \$10,000.

Second, adding a color printer for in-house proofing can push the system cost even higher, although all of these costs could be quickly recouped depending on your printing budget.

Third, although desktop-publishing software has the power to create anything from a price list to an annual report right on your desktop, it won't confer taste or design experience on the user. You will still benefit from having someone who knows design and printing preparation to run the software for all but the most straightforward tasks. And you will be able to run the tasks quickly only when your operator has mastered the equipment and software—and that can take weeks or even months.

Having considered those points, you could conclude that desktop publishing would be beneficial for your business and be a great complement to your word-processing programs.

The following products range from simple to complex, so remember to look for a program suited to your company's in-house publishing needs, budget, and enthusiasm for the project.

Aldus PageMaker (Aldus Corp., 206-622-5500). This is the program that began the desktop-publishing movement on the Apple Macintosh, and it is still a market leader. PageMaker imitates an electronic version of a designer's paste-up board, which is both appealing to designers and easy to grasp for nonartists.

The interface—which is the way the program looks and accepts commands from the user—provides immense design flexibility and offers unfettered access to PageMaker's rich tool set: excellent typographic and drawing tools, first-rate color production, and enough control for the user to be able to create the general appearance being sought.

Although it is still not quite as strong as some other programs for extremely lengthy books or manuals, PageMaker can handle almost any task, and the latest version includes its own word processor,

which can eliminate the need to enter text in a separate word processor before designing it in PageMaker.

Ventura Publisher Windows Edition 4.0 (Ventura Software, 1-800-822-8221). This is the latest update of what used to be one of the leaders in the PC page layout market. It has since lost some luster, but version 4.0 has plenty of impressive color support options, excellent controls for specifying page breaks on long documents, and plenty of add-ons for making any color separations and other prepress operations. Graphic elements can be imported into the program in a variety of formats and then altered within the program.

Ventura may strike most users as more difficult to learn than PageMaker, but if you use this software on a regular basis, the level of difficulty shouldn't be a problem. Other attractions include 24-bit color TIFF support (TIFF is one of the formats most publishing programs understand), an integrated set of text tools, and a new spelling checker.

FrameMaker 3.0 for Windows (Frame Technology, 1-800-U4-FRAME). A very popular Mac program, FrameMaker has now been made available for Windows. Our look at an early version showed FrameMaker to be a splendid choice for lengthy books, manuals, and technical material.

Particular strengths include a comprehensive interface design that offers excellent text entry, layout, and document features. FrameMaker also has a powerful feature for creating tables, changing the display of type, and (with an optional module) it can distribute documents in electronic read-only format, which lets you read but not make changes.

FrameMaker is a hard-to-beat choice for high-volume production of long documents.

QuarkXPress 3.1 for Windows (Quark Inc., 303-934-2211). This program is another Mac favorite being brought into the Windows environment. It has a lot of intriguing features that have helped make it a strong contender in the Mac market. For example, you can open up several documents at the same time with QuarkXPress, a feature not found in PageMaker. This capability lets you compare two different layout versions or even move text, graphics, or entire pages from one document to another.

QuarkXPress can produce multipage

spreads by flowing text from page to page around the graphics so that a change on one page will be rejustified across the whole. It can apply up to 254 master-page formats per document, and it has very strong type as well as numerous type and color options for precise control over layouts. Fast, powerful, and easy to use, QuarkXPress is a good all-around choice for page layout and a worthy competitor to PageMaker.

Desktop-publishing software has the power to create anything from a price list to an annual report.

Although all the above programs represent advanced and expensive software (about \$795 retail), you might also consider some less sophisticated (and less expensive) but viable options.

Microsoft Publisher (\$199, Microsoft Corp., 1-800-246-9400).

Publisher is a page-layout program that's very easy to use yet fairly powerful. Publisher employs the frame approach favored by FrameMaker and QuarkXPress. That is, text, graphics, and other elements go into boxes called frames that can be moved or resized on the page to create your layout.

Publisher also includes some automation features such as Page Wizards, which can create page designs for you. To use a Page Wizard, you answer questions about the type of document you want, and then the Page Wizard creates a template, or page representation. Although Page Wizard templates can't be modified, you can also use more-conventional templates that cover many standard business formats.

Express Publisher for Windows (\$249.95, Power Up Software, 415-312-5104). Express Publisher is being touted as a midrange desktop-publishing program. It includes lots of predesigned templates to help make the process of creating documents easier for nonprofessionals. Still, Express Publisher also has niceties such as Thumbnail Previews of design choices, the ability to rotate text or graphic elements, and capacity for documents as large as 5 feet by 5 feet. The software comes with 23 scalable Postscript fonts, 15 templates, and 100 clip-art graphics. It also has a spelling checker and can read and print out all major type standards.

Avagio 2.0 (\$149.95, Unison World, 510-748-6670) is a full system at a low price, and it does most of what a desktop-publishing program should do. It produces Postscript typefaces without requiring a Postscript printer, which is an additional saving. It also works adequately on lower-end machines.

Put Your Company On Display

THE PROFORMER



THE PRO



PRO TABLE TOP



Made in the U.S.A.



All PRO Portable Displays:

- Unconditional lifetime warranty
- Sets up in minutes
- Ships Via Airlines, UPS, Fed-Ex
- Complete Graphic Capabilities
- Locations Worldwide

For FREE color brochure and information, call today or complete coupon and mail

NAME _____
COMPANY _____
ADDRESS _____
CITY _____ ST _____ ZIP _____
PHONE _____

PROFESSIONAL DISPLAYS, INC.

U.S.A. 800-222-6838

Canada 416-291-2932/FAX 818-966-4067

746 Arrowgrand Circle, Covina, CA 91722-2198

LEGISLATION

Measures Target Franchise Practices

By Meg Whittemore

The chairman of the House Small Business Committee has introduced legislation to strengthen federal regulation of franchising. Rep. John J. LaFalce, D-N.Y., says current provisions specifying the information that franchisors must provide to potential franchisees are insufficient.

He described his proposals as "legislation to promote fair franchising."

LaFalce introduced the measures following an extended study of franchisee complaints. He issued a report on franchising in August 1990, and the Small Business Committee subsequently held hearings.

LaFalce said the committee investigation had produced evidence of "fraudulent franchise offerings and troubled franchise systems."

William Cherkasky, president of the International Franchise Association (IFA), based in Washington, D.C., said his organization shared LaFalce's concern for protecting investors, but he also warned that excessive regulation of franchising "may destroy the very business system that Congressman LaFalce has set out to improve."

In a state-level development on franchising, the tough new Iowa Franchise Act has come under legal attack as unconstitutional. McDonald's Corp. is challenging the law in a suit filed in federal court in Des Moines.

Douglas Gross, a Des Moines lawyer representing the Iowa Franchise Association, said the law provides "a little bit more level playing field" for franchisors and franchisees in the state.

Industry sources also say that their concern is not only with the Iowa law itself but also with the possibility that it might be adapted by the 34 other states that do not now have franchising laws.

While acknowledging the importance of franchising in the U.S. economy—franchising accounts for 7.2 million jobs and \$650 billion in annual retail sales—LaFalce says: "As with anything this big and this diverse, the growing success of franchising has not been achieved without serious problems and abuses."

Cherkasky said that many of the LaFalce proposals would result in more lawsuits, not improved franchise operations, and that prospect "will only discourage franchise growth, ... one of the strongest [economic] segments."



PHOTO: GLENN MOORE—(AP/WIDEWORLD)

Franchisor/franchisee relationships are addressed in federal and state measures.

Here are summaries of the two LaFalce bills and the new Iowa law:

Franchise Disclosure And Consumer Protection Act

This bill looks at what LaFalce calls "fraudulent franchise offerings, deceptive or misleading franchise promotions, and misrepresentation of the costs, experience, or potential success of established franchise systems."

The legislation has three objectives:

- To strengthen current federal law relating to franchise disclosure and anti-fraud enforcement.

- To enable individuals to seek redress in a federal court if they contend their rights have been violated.

- To enhance the information available to the public regarding specific franchise opportunities. This includes information about the profitability of the franchise, the prior experience of existing franchisees within the system, the rate of turnover in franchise ownership, and litigation against the franchisor.

Even though there are federal laws that require franchisors to disclose certain aspects of their business to potential franchisees, LaFalce says the amount and kind of information is insufficient. He maintains that the success rate of franchises compared with other small businesses has been vastly overrated.

The IFA says that complaints against franchisors are the exception and not the rule, noting that less than 5 percent of franchises fail within the first five years.

Congress and state lawmakers act to regulate contractual arrangements in response to complaints by franchisees.

Fair Franchise Practices Act

This measure seeks to promote greater fairness and equity in ongoing franchise relationships and to establish general standards of conduct for franchising practices.

The bill's key provisions would:

- Prohibit fraud, deceptive practices, and discrimination between franchisors and franchisees;

- Prohibit a franchisor from terminating a franchise without good cause;

- Limit the ability of franchisors to require franchisees to purchase all equipment, inventory, supplies, goods, or services from the franchisor; and

- Provide an unrestricted right of action for franchisees to seek redress in federal court.

The Iowa Franchise Act

On April 23, Iowa Gov. Terry Branstad signed into law the Iowa Franchise Act, which applies to all franchises operated in the state. It says a franchisor cannot:

- Grant a franchise in "unreasonable proximity" of an existing unit of the same franchise system;

- Enforce a post-term noncompetition clause—a contract clause prohibiting the franchisee from competing with a franchise in the same system after the contract term expires—unless the franchisor offers to purchase the assets of the business for fair market value; and

- Terminate, refuse to renew, or deny a transfer [of the franchise to another owner] except for "good cause."

When It's Time To Sell The Firm

Here are step-by-step tips to help you when you decide to sell your company.

By Robert Lawrence Kuhn and David H. Troob

The sale of a small, private company is usually a unique event in the life of the owner, who is often the firm's founder. That entrepreneur will most likely have never sold a business before, and the prospect of a sale can be bittersweet.

On the one hand, there is the promise of financial reward and freedom from unrelenting demands. But on the other hand, selling a company founded on hope and nurtured through hard work can create a strong sense of loss.

Given those potential conflicts, it's not always easy for the owner to decide whether a sale is the correct course. A methodical analysis can help an owner reach a decision.

The process should begin with an overview of the most common reasons why businesses are sold and a determination of whether one or more fit the particular case.

The primary motivations for a sale are:

- Desire for personal liquidity.
- Need of expansion capital.
- Anxiety caused by personal liability and unreasonable risks.
- Age and health.
- Sheer boredom.

Each reason needs to be examined in more detail:

Personal Liquidity. In many instances, almost all of the owner's personal wealth is tied up in the business. The prospect of a sale offers the first opportunity since the company was established to convert the holdings into cash, to diversify investments, and to enjoy the benefits of having built a successful business.

Expansion Capital. Entrepreneurs have a recurring need for growth capital. The only thing more financially ravenous than a stagnant business is a growing business. Greater revenues demand greater capital—for receivables and inventory, plant and equipment, research and development, marketing and sales, distribution and service, and a host of administrative necessities.

High-growth companies often exceed

Robert Lawrence Kuhn is president and David H. Troob is chairman of The Geneva Companies. Kuhn is also editor in chief of Dow Jones-Irwin's seven-volume Library of Investment Banking.



PHOTO: ©MAX HIRSHELD—FOLIO, INC.

When examining a business, potential buyers want to know how much of the expected cash flow will be left after investment in new assets to support growth.

their internal financial capabilities and commercial bank credit lines. For these companies, a sale can offer the expansion capital required to exploit growth opportunities.

In such circumstances, the owner might retain a minority share of the business or a percentage of earnings for up to five years. Such arrangements usually assume the eventual departure of the seller. Although these arrangements involve immediate loss of total control and the end of any managerial role within a relatively short period, owners frequently find them preferable to seeing the business wither for lack of capital.

Personal Liability And Unreasonable Risks. The most common kind of owner liability is a personal guarantee of company debt. Other forms include tax obligations, such as employee withholding taxes; product liability; personal damages; and liabilities related to requirements of the Occupational Safety and Health Act; the Food, Drug and Cosmetic Act; and the Environmental Protection Act.

Often the owner of a private business is required to back the company's commer-

cial bank credit with personal guarantees. This pledge means that the owner is legally obligated to use private assets to repay any bank debt the company can't meet. In many instances, such personal guarantees originated in the early, risky days of the business and were never removed.

Successful entrepreneurs are often self-confident to a fault and may not worry about personal guarantees. This is a serious mistake: Such guarantees may put a family's entire net worth at risk. There is no certainty in business; you cannot control the future. Eliminating personal liabilities is an entirely appropriate motive for selling a business.

Age And Health. The driving influence behind the sale of many businesses is the life cycle rather than any financial need. Many entrepreneurs consider themselves indestructible, and when the inevitable problems of age and health emerge, they must face the prospect of cashing in.

Similarly, private businesses are often sold as part of the estate-planning or settlement process. Or they are sold to resolve family disputes, generally occurring when the founders' heirs encounter

fundamental disagreements—either personal or professional, or both.

Boredom/Relief From Pressure. Surprisingly, one of the most common reasons entrepreneurs decide to sell is sheer boredom; they become tired of doing the same things year after year. And many entrepreneurs who have been living on the edge for years look forward to reducing the incessant pressure so they can pursue other interests. For these owners, selling the business can pave the way to new professional or personal opportunities or the rewards of retirement.

Whatever the reason, once a decision to sell is made, the first step is to determine a selling price for the business. (See "Putting A Price Tag On Your Company," in the January 1992 issue of *Nation's Business*.) Knowing what a business is worth, when to sell it, and how to prepare it for sale will have a major impact on the sale price. A thorough business evaluation enables a company to enter negotiations from a position of informed strength.

All too often, a business owner chooses the wrong time to sell because of ignorance of market trends. Considering that a sale for the optimum price may take nine to 18 months to complete, an owner must take a long view. A well-done business valuation can provide the necessary foundation to develop a strategy for protecting, growing, or realizing business value.

Right now, corporate buyers and independent owner/operators have returned to the middle market—which generally is defined as transactions of \$1 million to \$100 million. The corporations are motivated by strategic acquisitions of close-fitting, synergistic companies. The buyers are seeking increased market share, a way to fill voids in the acquiring company's product mix, geographic expansion, or a means to capitalize on the benefits of shared technologies or vertical integration.

These and other findings are drawn from an analysis of middle-market buyers in 1990 and 1991 conducted by The Geneva Companies, a mergers-and-acquisitions firm based in Irvine, Calif. The study showed that 31 percent of the buyers were public companies, 29 percent were private investor groups, 24 percent were large private companies, and 16 percent were individual investors.

In addition, the data show an increase in the cash portion of such sales. Corporate buyers generally pay a greater amount of the purchase price in cash than financial investors do. Geneva's experience indicates that 66 percent of the cumulative purchase price for deals completed in 1991 was cash, compared with 56 percent in 1990.

The ultimate valuation of a business is the price that a willing buyer and a willing seller negotiate. Such factors as price/earnings ratios and various rules of thumb—typically, multiples of sales or of cash flow—do not apply in valuing a privately held company. Nor are profits universally reliable indicators, because small businesses often keep earnings artificially low for tax purposes.



PHOTO: EDWARD STECKLEIN—THE STOCK MARKET

A rewarding retirement is a major goal of entrepreneurs who sell their firms.

Factors that must be considered instead in evaluating a company include the nature of the business and its industry, standardized financial and earnings data, and the company's potential.

A specialist in mergers and acquisitions looks at a business through the eyes of a buyer. What buyers really want to know is a business's potential—how much of the expected cash flow will be left for the owners after investment in new assets and working capital to support growth.

Many sellers receive less than full value because they focus on their company's past, not its future. Although you must explain the past to a potential buyer, you must also offer a documented, credible future to achieve optimum value.

Here are key elements in the evaluation process:

Recasting. Because privately owned companies tend to keep reported profits and thus taxes as low as possible, financial recasting is needed to understand a company's true earnings history and business potential. Recasting shows how a business would look if its philosophy matched that of a public corporation in which earnings and profits are maximized.

Undervalued assets, salaries, and benefits are revalued at market rates, and expenses that are avoidable, unusual, or nonrecurring may be eliminated. This process translates a company's past into a valuable, salable future, and it enables sophisticated buyers to make meaningful comparisons with other investment opportunities.

Five-Year Pro Forma. The price paid for a business depends largely on the quality and reasonableness of profit projections. Cash flow, profit and loss, working-capital requirements, and balance sheets must be developed for five years. Using these pro formas, the discounted value of the future cash flow is calculated. This establishes the primary economic return to the buyer for the acquisition investment.

Market Research And Analysis. Buyers require data that verify the five-year pro forma. Market research and analysis provide this support, which lends credibility to the projections and builds buyer comfort in the pro forma. Industry trends, growth factors, competitors, market niches, and geographic influences should be analyzed.

The results give credence to the growth strategies that generate the future cash flows on which the buyer will rely to determine price and terms.

However much the seller is armed with information and data, the potential buyer will also seek to deal from strength, drawing on the advice of professionals such as lawyers, accountants, appraisers, and technical experts.

A seller's professional advisory team should include an accountant, a legal adviser with experience in mergers and acquisitions, and a mergers-and-acquisitions intermediary with experience in evaluating, marketing, and negotiating.

Although professional buyers—the public companies, large private companies, and private investor groups that are the most common buyers in the middle market—may acquire multiple companies every year, most owners of private businesses will sell only one company in a lifetime.

A seller often will not look beyond competitors, customers, and employees for potential buyers, while a mergers-and-acquisitions adviser can offer a large database of prospects.

Fees for the adviser's services can vary greatly. A nonrefundable retainer may range from \$25,000 to \$100,000. Fees for actual sales are usually charged on a sliding scale, from about 10 percent on smaller transactions to 1.5 to 2 percent on larger ones.

You should remember also that most

intermediaries representing a seller require an exclusive arrangement for a year or more.

The offering and sale process will consist of these steps:

Marketing. First-rate marketing materials are needed to attract the best potential buyers. The materials should include a brief, blind profile of the business to be used for generating interest while maintaining confidentiality. Company identity must be protected until serious buyer interest is assured. Parties requesting more proprietary information must complete a confidentiality agreement.

The more-substantial marketing materials should include an extensive, comprehensive review of company operations and performance.

These documents demonstrate optimum value—factually, persuasively, and in a way tailored to meet the differing needs of diverse buyers.

Prospecting And Negotiating. The list of prospective buyers is refined to those with genuine interest and the resources to finance the transaction.

The mergers-and-acquisitions adviser initiates negotiations, stressing the value

of the business and its ability to meet the prospective buyer's needs.

No plant visits or meetings with management should be allowed until the potential buyer provides an oral or written indication of value. Only qualified buyers who have been through the preliminary negotiation process should be allowed.

A written offer to buy a company is usually made in a Letter of Intent (LOI), in which the potential buyer spells out economic terms and conditions, including price and payment schedule, financing, tax and legal matters, representations and warranties, and owner or key employee participation in the business after the sale.

The prices and terms offered in the letter must be reconciled with the owner's personal goals.

Although one offer may actually be higher, another may be more attractive because it has a higher proportion of cash and allows the owner to leave the business immediately.

Conversely, if a business is growing rapidly, the owner may want to participate more fully in that growth by having part of the compensation tied to the company's future earnings or by retaining an equity interest.


Due Diligence. Having demonstrated their seriousness with the submission of an LOI, the selected potential buyers will want to examine minutely all aspects of the business in an investigatory process called "due diligence." This term refers to the care a buyer must take to identify risks associated with the purchase of a particular business.

Buyer due diligence is performed by professionals such as bankers, accountants, attorneys, and tax experts. Each is responsible for uncovering any of the firm's problems in his or her specific field.

The Closing. When the selling and buying teams are satisfied, the transaction is culminated in the signing of a Definitive Purchase Agreement. This document legally transfers the stock and/or assets to the buyer in exchange for the specified financial consideration.

It can take from nine to 18 months for that process to obtain the optimum price for a business. But an owner who achieves the goal on which the decision to sell was made will find that the long, usually complex, and often difficult experience was justified.

16

 To order reprints of this article, see Page 67.

LOOK FOR THIS MARK!



This is the NSF Mark. Whenever you see it, you know the product that bears it has been tested and is certified as meeting the requirements of the appropriate standard or regulation.

Products which bear this NSF Mark—such as equipment for food handling and processing; equipment for home water and wastewater treatment; circulation system components for swimming pools, spas, and hot tubs; plumbing system components; drinking water additive products; and bottled water and packaged ice—have *qualified* to bear this Mark.

Responsible companies have sought out NSF International as the premier, independent, not-for-profit organization whose

programs focus on public health safety and environmental quality. They know NSF develops and maintains voluntary consensus standards for public health, operates extensive testing laboratories, inspects production facilities (on an unannounced basis), and stringently certifies those products which qualify for the right to bear the NSF Mark on a global basis.

Look for the Mark when you find it, you'll feel good. For more information and a listing of the types of products and systems which carry the NSF Mark, write to:

NSF International
Dept. #N-7
3475 Plymouth Road
Ann Arbor, MI 48105

Success Strategies to Help You Achieve Higher Sales and Profits

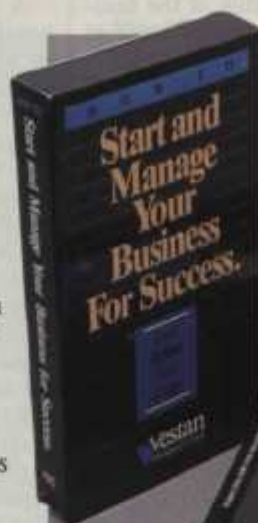
An Award-Winning Video that Helps You Predict the Health of Your Business... and Gives You the Means to Improve It!

HOW TO START AND MANAGE YOUR BUSINESS FOR SUCCESS

Now you can eliminate the risks, build a winning business plan that reflects your goals and desires, and speak the language that will earn you respect—and the cash you need—from the people who count. This remarkably well-produced business video gives you all the information you need to succeed in your venture: everything from selecting the right CPA and attorney to understanding the vital data your banker looks for and calculates from your financial statement. Learn about the advantages and disadvantages of partnerships, joint ventures, and corporations. Compute your cash flow, working capital, debt to equity and other helpful ratios. You'll find the answers to your questions in this exciting new video...and build your business on a solid and permanent foundation.

VHS only. Running time 77 minutes. Includes 8 page guidebook.

\$49.95



Learn the Management Skills and Techniques Used by the Nation's Most Successful Business People!

EXECUTIVE SEMINARS IN SOUND

This is the much-acclaimed private seminar program developed by the U.S. Chamber of Commerce. Now you can learn the management skills that have given a valuable career and personal boost to thousands of influential business people. With this course you'll learn how to make every minute of your day count; you'll develop organizational and planning strategies that will help you and your

company grow; you'll become the manager who motivates others to achieve more; you'll acquire the knack of getting your ideas across to even the most stubborn adversary. Try this best-selling business skills course today!

Course contents: 8 audiocassettes, guidebook, and durable shelf binder.

\$95.00

ORDER NOW!
CALL TOLL-FREE **1-800-331-1234**

A Blueprint for Creating, Maintaining, Continuing, and Enjoying Your Family Enterprise

HOW TO MAKE YOUR FAMILY BUSINESS OUTLAST YOU

Running a successful family business may be one of the most difficult tasks in today's business environment. Let three of the nation's most prominent experts/consultants guide you through the steps that will give you and your family the rewards that only a family business can provide.

Your consultants-on-cassette will help you communicate your business vision so the next generation can build upon your base; understand the characteristics of healthy families and how to manage the inevitable conflicts; identify and overcome the five barriers to long-term success; prepare children for leadership roles; develop a succession program that prepares children and parents for change and new responsibilities; and find and use the advisers and directors who will become a valuable resource to your family business. This is a *must* for anyone involved in a family business.

Course Contents: 6 audiocassettes, resource guide, and durable shelf binder.

\$95.00



30 Franchise Experts Reveal the Secrets of Selecting and Succeeding in Business

FRANCHISING:



HOW TO BE IN BUSINESS FOR YOURSELF—NOT BY YOURSELF

Before you select a franchise opportunity, you need to be absolutely certain you've selected the right one for you. This outstanding video—developed in conjunction with leading bankers, government officials, lawyers, accountants, and many of the nation's most successful franchisors—will

help you evaluate franchise offers...avoid the pitfalls... understand how franchisors evaluate you...and get you off to a quick, confident start. This is must viewing *before* you commit a lifetime of savings!

VHS and Beta. Running time 58 minutes. **\$49.95**



Get the Answers to the Questions Most-Asked by Small Business Owners

THE SMALL BUSINESS RESOURCE GUIDE

This valuable booklet, based on Nation's Business famous *Direct Line* feature, has the answers to the most frequently-asked questions by readers with the same interests as you. Get answers you need about starting and running your business, including marketing, retailing, exporting, financial planning, trademarks, management, manufacturing, and more!

62 page fact book. **\$5.95**

ORDER NOW! **1-800-331-1234**
CALL TOLL-FREE

Now On Computer Disk!

LEGAL LETTERWORKS

165 LEGAL FORMS AND AGREEMENTS

Count the times you've needed a legal form: a will, partnership or corporation papers, brokerage agreement, real estate lease, contract for sale of goods. Now you can save money on legal fees and avoid time-consuming, deal-killing delays. Just call up the form you want on your computer, fill in the blanks, and print out a completed form.

452 page book (165 legal forms) and computer disk (IBM 5-1/4, IBM 3-1/2, MAC). \$79.95

SALES LETTERWORKS

300 EXPERT LETTERS THAT GENERATE SALES AND PROFITS

No matter what your business is or who you're trying to convince, SALES LetterWorks has the *perfect* letter for virtually every selling situation. Call up custom crafted letters on your computer that cover every aspect of selling: creating repeat business, door openers, lead generators, customer relations, responses to objections, collections.

372 page book (308 letters) and computer disk (IBM 5-1/4, IBM 3-1/2, MAC). \$79.95

LETTERWORKS

400 PROFESSIONALLY-WRITTEN LETTERS TO COVER ALL AREAS OF YOUR BUSINESS

If you've ever struggled to tell an employee you're unhappy with his performance, apologize for an employee's rudeness, make an inquiry to a venture capital firm, or any number of other situations...then LETTERWORKS will simplify your life! You can call up letters from advertising, to dealing with suppliers, to internal communications.

470 page book (400 letters) and computer disk (IBM 5-1/4, IBM 3-1/2, MAC). \$79.95



Works with ALL IBM Compatible & Macintosh Word Processors

Nation'sBusiness Order Form

Send to: Circulation Dept., 1615 H St., NW, Wash. D.C. 20062

ORDER TOLL-FREE **1-800-331-1234**
OR FAX **1-202-463-5636**

Method of Payment

- ☐ Check or money order enclosed
☐ Bill my credit card:
☐ VISA ☐ MasterCard ☐ American Express

Card # _____

Exp. Date _____

Signature _____

Name _____

Address _____

City _____

State _____ Zip _____

QTY	PRODUCT	UNIT PRICE	TOTAL PRICE
	How To Start and Manage Your Business For Success VHS only	\$49.95	
	Executive Seminars in Sound	\$95.00	
	How To Make Your Family Business Outlast You	\$95.00	
	Franchising: How To Be In Business For Yourself-Not By Yourself <input type="checkbox"/> VHS <input type="checkbox"/> Beta	\$49.95	
	The Small Business Resource Guide	\$5.95	
	Legal LetterWorks <input type="checkbox"/> IBM 5-1/4 <input type="checkbox"/> IBM 3-1/2 <input type="checkbox"/> MAC	\$79.95	
	Sales LetterWorks <input type="checkbox"/> IBM 5-1/4 <input type="checkbox"/> IBM 3-1/2 <input type="checkbox"/> MAC	\$79.95	
	LetterWorks <input type="checkbox"/> IBM 5-1/4 <input type="checkbox"/> IBM 3-1/2 <input type="checkbox"/> MAC	\$79.95	
Shipping Charges:			
Under \$10		add \$1.00	
\$10 - \$49.99		add \$4.00	
\$50 - \$99.99		add \$6.00	
\$100 - \$149.99		add \$9.00	
\$150 - \$199.99		add \$12.00	
\$200 and up		add \$16.00	
SUB-TOTAL			
CA & D.C. SALES TAX			
SHIPPING			
TOTAL			

Note: Credit card purchase must be minimum of \$15.00

Your Order is 100% SATISFACTION GUARANTEED or Your Money Back

NB0702

Family Business

Tracing your roots through history; the conflicting roles of a successor; the next generation on the farm.

OBSERVATIONS

Put Your Family Firm's Saga On Paper

By Sharon Nelton

I used to think of written family-business histories as nice but not necessary. But now I think of them as nice *and* necessary.

That's because a history of Stark Bro's Nurseries and Orchards recently came across my desk, and it changed my mind.

Based in Louisiana, Mo., Stark Bro's is famous for introducing the Red Delicious apple, the most profitable apple in history. At 176 years, it is one of the oldest family businesses in the country. Now run

scientifically, practicing careful selection, grafting, and keeping only the most adaptable and strongest varieties."

Reading the historical society's account and an update prepared by Stark Bro's on its 175th anniversary last year, you see the family values that shaped the company and determined its responses to external forces and events. With his penchant for scientific development of fruit, for example, James Stark initiated a commitment to continued improvement that lasts to this day. His son, William, called for "better and better fruits—always going up in quality of fruit and increased production per acre," a policy that subsequent generations followed.

Community service, innovation, strategic planning, and patience are some of the themes that emerge from this history. Even patterns appear. There was a downturn in business in the 1980s and, after some fancy footwork to turn the business around, an upswing. But such cycles do not surprise Clay and Walter Logan's father, John Stark Logan, 74, the company's chairman. "It's been that way for at least 80 years, I'd say—pretty much a 10-year cycle of improvement and then a falling off," he says.

A family-business history can help you understand the origins of your own value system. It can give you inspiration—think of the pioneering spirit of young James Stark! It can give you perspective and courage—in the case of the Logans, the courage and tenacity to overcome yet another down cycle. It can be a source of pride, not just for the family but for the whole community.

If your family-business history is not committed to paper, assign someone to write it. Who? Perhaps a retired founder or a sharp young family member who needs a summer project. Or enlist the help of a local newspaper reporter or librarian.

Don't let your family firm's history get lost. It's not a frill. It's a legacy.

**A family-business history
...can be a
source of pride.**

—Sharon Nelton



PHOTO: AMANDA HALL/EPIC

by sixth-generation brothers Clay Stark Logan, 44, president, and Walter C. Logan II, 40, vice president, Stark Bro's employs 250 to 450 people, depending on the season, and has annual sales of more than \$15 million.

In celebration of the company's 150th anniversary in 1966, the Missouri Historical Society put together a detailed history of the business and the family, called *The Stark Story*. And what a saga it is.

We learn that James Hart Stark—with his wife and infant son—left his native Kentucky in 1816 and traveled by wagon and horseback to Missouri, taking with him apple scions (cuttings) from his father's farm and the family knowledge of grafting fruit trees.

According to the Missouri Historical Society, James was to Missouri what Johnny Appleseed was to the Ohio Valley, with one great difference. While Johnny Appleseed planted seeds indiscriminately, "James Stark planted orchards

PLANNING

How Successors Cope With Stress

By John L. Ward and Craig E. Aronoff

It's hard to imagine any position more complex and more stressful than being an heir to leadership in a family business. "Being in the family business isn't as easy as many people think," says one successor. "I often feel like I'm in a fishbowl, with everyone eager to test me and judge me. They say it's lonely at the top, but it's also lonely being the son or daughter of the 'top.' Who can I talk to? Who can I trust?"

Stress comes from being in conflicting roles and constantly having to cope with mixed perceptions and expectations. Consider the following dilemmas that successors face:

Do my parents give me too much feedback or not enough?

Parents' hopes for "perfect" children often result in unrealistic expectations and frequent criticism of offspring. At the same time, successors intensely seek approval from their close relatives.

Most successors believe they have to work harder than anyone else, but they also often wonder where they stand. One third-generation president of a company with \$180 million in annual sales had served effectively for a decade but still wondered, "What does Dad think of me as an executive?"

Am I a peer or a privileged owner?

It's nice to have comfortable peer relationships at work. But can the boss's children ever really be peers of nonfamily employees? They are often perceived as spies or tattletales. People can use them to "get word" to the top managers. Peers can be jealous of family members' privilege.

For family successors, developing solid work relationships is sometimes difficult because it is hard to figure out whom you can trust.

Am I a subordinate or a boss?

Most nonfamily managers realize that they will someday work for the "kid." Consequently, they can sometimes be patronizing. It's hard to get honest per-

PLANNING

formance feedback from them when they're helping a successor learn the ropes. Others in the organization are worried that the successor's career path will unfairly affect theirs. Successors are left not knowing how hard to push for promotions.

Am I loyal or aloof?

People sometimes like to gossip and even complain about the company they work for. Often these comments can be



useful information to a future executive.

But do successors have the moral responsibility to pass such information on to top family leadership? Or do they keep it to themselves for future reference? Or tell people not to say such things in their presence?

Am I worthy or lucky?

Young successors know that their colleagues, their employees, and their friends wonder about what was earned and what was a birthright. In early adulthood, family-business successors usually grow in income and wealth faster than their friends.

Sometimes inheritors feel guilty about their seemingly privileged condition. Some develop bad habits of lending money indiscriminately or of being the overgenerous host too often.

These issues often become more troubling if successors don't have a carefully thought-through career progression. If they never had significant, successful work experience outside the family business, these dilemmas are harder to resolve. If they are given jobs in the family firm that didn't exist before their arrival, negative perceptions and stress intensify.

These issues come with the territory of family business, though. Healthy successors accept them and take steps to address the inevitable stresses. Their efforts include:

- Seeking empathetic allies outside of

the business. Some join organizations of company presidents or would-be presidents. Some frequently travel to visit other family businesses. Some meet regularly for lunch or breakfast with two or three others in the community who are in similar situations. Some join university-based family-business networks.

■ Using reflection to put things in perspective. Several successors we know have told us that they find journal writing to be a valuable way to gather thoughts and gain confidence. Many successors are active readers of self-help books such as *I'm OK, You're OK*, by Thomas A. Harris, and books that help them understand their situation, such as *The Seasons of a Man's Life*, by Daniel J. Levinson.

■ Taking action. By sticking your neck out, some successors reason, you give yourself the chance to learn and to demonstrate your abilities. Other employees respect action more than self-pity. While older family members may be troubled by your aggressiveness, remember what one successor told us: "It's easier to get forgiveness than permission."

■ Earning self-respect and self-confidence elsewhere. Many successors gain clear feedback and unbiased recognition by taking active roles in other organizations—such as civic groups, trade associations, or a hobby club. Here, they enter and achieve without handicap or privilege.

■ Breaking the pace. Probably the stress-reducing technique that successors use more than any other is regular, active exercise. Hobbies and music work well for others.

Understanding and accepting the normal complications of being a family member in a family business can help lessen the tension. Outside experience and perspective can highlight the benefits and advantages of a family-business career—the advantages usually more than compensate for the problems.

Even so, stress is an expected consequence. Learning to cope with it is an important skill for young successors in family firms.



PHOTO: S. MICHAEL REZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.



Mark Your Calendar

July 14, Detroit

"Managing Succession Without Conflict: Critical Issues Facing Families in Business," a half-day seminar for all family members. To be repeated Sept. 29 in Minneapolis and Oct. 28 in Philadelphia. Contact Ross Nager of the Arthur Andersen Center for Family Business at (713) 237-2724.

July 16-19, Snowmass Village, Colo.

The Aspen Family Business Conference is built around 10 characteristics shared by successful families in business. Contact the Bork Institute for Family Business, 117 Aspen Airport Business Center, Suite 201, Aspen, Colo. 81611; (303) 925-8555.

Aug. 14-22, Marietta, Ga.

The "Family Business Academy" is aimed at potential successors ages 20 to 35; it covers such topics as strategic management and developing a business plan. Contact Alyssa Barnes, Kennesaw State College, P.O. Box 444, Marietta, Ga. 30061; (404) 423-6559.

Sept. 18, St. Charles, Ill.

"The Family in the Business" is the theme of a conference covering such topics as job performance, succession planning, and family communication. Contact Karen Wilger, Midwest Association of Family Business Owners, 7223 S. Route 83, Suite 241, Willowbrook, Ill. 60521-7561; (708) 323-2460.

Sept. 30-Oct. 3, Boston

"Family Business at the Crossroads" is the theme of the annual conference of the Family Firm Institute. Contact Judy Green, FFI, 12 Harris St., Brookline, Mass. 02146; (617) 738-1591.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

CASE STUDY

A Farm That Can't Support Everyone

Meadowbrook Dairy is a 132-acre, century-old farm owned by Jim and Harriet Brown. The dairy farm produces feed and hay for its 120-head herd, grows Douglas fir trees in its four-acre cut-your-own operation, and harvests enough fruit to keep Harriet busy at the local farmer's market.

When Jim's parents died 15 years ago, they left 65 percent of the shares to Jim and 35 percent to his sister, Sarah. Jim and Harriet occupied the homestead, while Sarah and her family moved into a newer ranch house on the property.

But it was soon clear that Sarah's family wasn't suited for country living, so Jim and Harriet bought out Sarah's interest, and she and her family returned to the city.

Jim moved the new hired man and his



ILLUSTRATION: DAVID CHEN

family into the ranch house.

The Browns' sons, James Jr., 31, Tom, 30, and Billy, 28, had loved growing up at Meadowbrook and working in the fields, driving the tractor, and making change at the market.

But at their parents' insistence, they each got a college degree and now work outside the family business. James Jr. is a salesman at the local farm implement store, Tom is an extension agent, and Billy is a hired hand on another farm. All are married, have small children, and live nearby.

After Sunday dinner recently, Jim told the boys—out of Harriet's earshot—that he had been having chest pains and had finally gone to the doctor, who told him to slow down.

"I guess it is time for one of you to take over the farm," he said. When each son indicated an interest in running Meadowbrook, Jim replied sadly that it wasn't big enough to support them all.

What should Jim do?



PHOTO: JUDITH LORAN

It's Necessary To Clarify All The Issues

Karen L. Vinton, associate professor of management, Montana State University College of Business, Bozeman, Mont.

Jim and Harriet are facing a typical problem encountered by many farm and ranch operations: The farm isn't large enough to support everyone in the extended family.

The good news is that Jim recognizes these limitations and is including his sons in the initial discussions of "what to do with the family farm." The bad news is that Jim is not involving Harriet in these conversations. While Jim may think he is protecting her, he is actually placing her in an even more precarious position by not being open with her about his health or giving her a voice in the family's plans.

I would strongly suggest that Jim, Harriet, and the sons—and possibly the sons' spouses—sit down together and begin some in-depth meetings about the future of the family and the farm. They may even want to consider hiring a consultant to facilitate what may be some very difficult discussions.

Several things need to be determined. First, what exactly does Jim mean by "take over" the farm? Take over the work? Take over the ownership?

Second, if Jim intends to retire fully, what kind of support will he and Harriet need during retirement? Third, if the farm cannot support all three sons, are there any other alternatives that would satisfy everyone? Rent out the farm and share the profits (if any)?

Fourth, what does Harriet want? Is she ready to retire? And finally, are the daughters-in-law interested in moving to the farm?

Once the family resolves these issues and develops a plan, appropriate legal and financial advice will have to be sought in order to properly fund and execute the plan.



Call The Team Together For Crucial Planning

Bonnie M. Brown, acting director of the Family Business Program at Oregon State University, Corvallis, Ore.

The succession process for a family farm has one element that is often missing in other family-business scenarios: a passion for the family homestead and for working the land.

Finding a way to keep the farm in the family will be a big priority.

It is likely that the farm is Jim and Harriet Brown's primary asset. If they have little or no outside retirement income, they may elect to sell the farm to one or more of their sons in order to finance their retirement.

However, they may want to live on the farm after they retire, even if they sell it.

The Browns need to engage in considerable planning to finance such a sale. They must determine whether one or more of the sons could afford to buy the farm. Jim and Harriet may have to accept a down payment and a payout over several years. That may put their retirement security at risk if the new owners don't make a go of it.

All of the Brown sons love farming and have training and experience that could prove useful in running Meadowbrook. If

Harriet and Jim sell to one son, there may be hard feelings in the rest of the family. There may also be little else to leave to the other two sons.

Jim needs to bring together his wife, his sons, and the family's professional advisers—such as their attorney, accountant, banker, and family-business consultant—to work as a team to manage the transition.

The objectivity of outside advisers can help depersonalize the process and take some of the sting out of decisions that may disappoint some family members. But the family needs to start now.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

LESSONS OF LEADERSHIP

Lighting A Fire Under The Fired

By Michael Barrier



PHOTO: T. MICHAEL KEZA

See two or three companies a day, James Challenger, founder of the nation's oldest corporate outplacement firm, tells job-seeking clients.

People decide in all kinds of ways to start businesses of their own, for all kinds of reasons. As he tells the story, James E. Challenger's decision came out of nowhere.

In the mid-1960s, Challenger, a Chicago lawyer, was running a small Indiana company that manufactured gas-heating equipment. He had no experience in that field when he took the job, but, he says, "the owner liked me."

Even though the company was bankrupt when he took it over, Challenger says, he soon had it profitable again. "It isn't difficult to turn a company around," he says. "You just sell more product"—and to do that, "you just put people on the street and have them make more calls."

Challenger got tired of working for someone else, so he left that job and moved back to Chicago. He was casting about for something to do, he says, when an idea came to him "out of the blue" as he walked down a Chicago street: He would start a firm to help discharged corporate executives.

He had tried to buy a couple of companies, but he suddenly understood—in "an absolute flash"—that he really didn't want that kind of life, "a life just devoted to making money," he says. He

was interested instead in helping "people who weren't disadvantaged but still needed help."

By Challenger's account, thus was born, in 1965, what has become the corporate outplacement industry. It is made up now of more than 200 firms that, for a fee, help corporations find new jobs for their fired executives (and, in many cases, lower-level employees as well). The industry has flourished in recent years, as big companies have shed employees, middle managers in particular, by the hundreds and thousands.

Challenger, 66, is president of the outplacement firm known as Challenger, Gray & Christmas, and he claims to be the industry's founder. Not everyone accepts that claim—outplacement of some kind, however informal, has probably been around as long as there have been corporations—but Challenger's firm is certainly the oldest specializing in outplacement.

When he first offered his services to Chicago-area companies, Challenger says, the reaction was, "Why should we help someone we're firing?" Challenger was selling a way to ease feelings of guilt, and in those days, many potential customers didn't have any. Neither were they

Outplacement pioneer James Challenger tells discharged executives to pound the pavement—and look for a boss they can like.

giving much weight to practical considerations such as avoiding lawsuits and limiting severance pay.

Challenger finally landed an account with one big company, which kept him available on a continuing basis to help discharged individuals.

By that time, Challenger, Gray & Christmas consisted of only three people: Challenger (who counseled the discharged executives himself), a salesman, and a secretary. Gray and Christmas were "friends" who had joined him in his new venture, Challenger says, but had departed within the first year. Challenger left the firm's name unchanged because, he says, "if you're a small company, one name doesn't sell as well as three." He is now the company's sole owner.

In the bleak early days, Challenger not only spent a lot of time trying to drum up business but also tested techniques for getting jobs. He interviewed for jobs he had no intention of taking, "to see what worked and what didn't work"—and he got offers, he says, for about half the jobs he interviewed for.

Outplacement grew as many companies decided they really wanted to help those people whose jobs they were eliminating; those companies also realized that providing such help could be more economical—because of litigation and severance-pay considerations—than not providing it. Challenger's firm has benefited greatly from these changing attitudes.

Challenger, Gray & Christmas now has around 70 employees—most are based in Chicago—and annual revenues of \$16 million or more (Challenger won't provide exact figures, but he doesn't dispute industry estimates). Challenger first expanded by opening offices in Milwaukee and Atlanta in the mid-1970s, and he now has 16 offices in the U.S., Canada, and Europe. All the counselors work out of the home office in Chicago; the other cities have sales representatives only.

A counselor from the Chicago office can be "anywhere in the country on 24 hours' notice," Challenger says, when someone is about to be fired. "We try to be there when they're told. I want to have [those executives] as fast as I can get them, because there's a great tendency to destroy your market in that first week." Many executives respond disastrously to

a firing, he says, by bad-mouthing either their former employer or themselves.

Challenger's firm counsels 2,000 to 2,500 people a year, and they are a varied lot. "We have never turned down a client, no matter what the problem," he says. "We get a couple of dozen alcoholics every year, and one or two embezzlers. We don't pick and choose."

Challenger uses the word "customers" to refer to the companies that pay for his services; his "clients" are the displaced executives he helps. "Essentially," he says, "we see ourselves as working for the individual and not the company, even though the company is paying us." His fee is the industry standard of 15 percent of what the discharged person was earning annually; the minimum fee is \$2,300.

As the outplacement process begins, with a meeting between a client and a member of Challenger's staff, the client is asked to write about both work history and attitudes toward life. "I try to read everything our clients write," Challenger says, "and our average client writes somewhere between 100 and 500 pages, at the inception of our program."

This writing task not only lets Challenger and his staff learn about their clients, he says, but it also "keeps them out of the marketplace for about 10 days," so they can cool down. Most important, he says, what the clients are required to write "reinforces self-worth. Except for one part, everything is very positive—and people need this."

It's important that he read everything himself, Challenger says, "because we don't have standard programs. What I try to do is put myself in the shoes of that person" and come up with a program and a counselor to meet the client's needs. (He also remains available to clients himself—they get his home phone number.)

It is thanks in part to such customizing that Challenger's firm, although the oldest in outplacement, is only fourth or fifth in size. As he says, "When you're letting 3,000 people go, you can't afford us."

The starkness of Challenger's message to job seekers may have limited his firm's appeal, too. "All we have," Challenger says, "is a very tough program that works." Some of his competitors promise clients that they'll easily land new jobs in a short time, Challenger says, but he scoffs such promises: "It's hard to get a job." (David Lord, managing editor of Kennedy Publications, a Fitzwilliam, N.H., company that publishes a directory of outplacement firms, says that Challenger's harsh judgments on his competitors have made him a controversial figure in his industry—"a real maverick.")

Seeking a new job can be especially hard for executives, Challenger says. "They're used to being in control, and suddenly they're moving into a situation

where they have no control." Among his "most difficult clients," he says, are human-resources professionals, because they're used to hiring people, and "what you want from the hiring side is not what you want when you're looking for a job."

For example, he says, personnel professionals "want a short resume, because they want to screen you out in 60 seconds. But if you're looking for a job, you want a



PHOTO: KEEN HAWKINS-STOCK SOUTH

**You're selling a product.
If you're not the product
they want, you don't
want the job.**

—James Challenger

long resume, because maybe they'll read it and find something they like."

As part of his contrarian philosophy, Challenger downgrades the importance of preparing for an interview by boning up on a company; he says to save that for a second or third interview. "I want you out seeing two or three companies every day," he says. "You can't prepare for that. People use preparation as a crutch for not going out and interviewing."

It's the same with his clients as with his gas-heating salespeople, he says: "If you can sell one person out of two, and I can sell one person out of five, but I make 10 calls, I'm going to sell more. The reason our clients get jobs faster than anyone in

the country is that they see more people."

Clients require constant goading to hit the pavement, Challenger says: "We tell them to call us if there are any problems, but most of the time we call them. They tend not to call. I want that person out being rejected every day, and that's not nice." But, he says, the results are worth it: "I can get anybody a job in three to four months, if they'll do it my way."

Far more important than preparation, he suggests, is an alertness to what the hiring person is seeking: "You're selling a product. If you're not the product they want, you don't want the job."

Challenger's advice can be unfashionably blunt, perhaps most strikingly so when he says, "Yes-men stay." Elaborating on that aphorism, he says: "Everybody wants independent people, but I want independent people like me. If you're running an operation, you don't want somebody you're going to fight with every day. It isn't worth it."

He can draw on some personal history to back up that observation.

Challenger graduated from Harvard University in 1947, after World War II service in the Army Air Corps. While he was still a Harvard senior, he opened an advertising agency in New York, but because of "great family pressure," he returned to Chicago and entered Northwestern University Law School in 1948.

A few years later, after he had gone to work for a Chicago law firm, Challenger and his wife lingered too long in Europe on a vacation. When they got back, he found someone else at his desk. He thinks his extended vacation was only the occasion for his firing—not the reason. "The only reason people ever leave something," he says, "is because they don't get along with somebody. In one way or another, I'm sure I told the senior partner I was smarter than he was."

For people in jobs at the levels he ordinarily deals with, Challenger says, personal chemistry is absolutely critical to whether they stay or go: "I don't think there is anything else."

In recent years, more laid-off executives have started their own businesses, and workers over 50 have found it somewhat easier to get new jobs. But such shifts are marginal, Challenger says: "I just don't see any changes."

The job market as he describes it is locked into very simple, fundamental patterns, which superficial trends may conceal but do not really alter. Challenger puts it this way: "The hiring process is not that astute."

So, the astute man is not he who bucks the realities of the world of work, but he who successfully adapts to them. By that measure, James Challenger could be counted as astute indeed.

MANAGING

Topics To Avoid With Applicants

By Janine S. Pouliot

Not so long ago, interviewing a job applicant was a fairly straightforward matter. The employer asked wide-ranging questions covering topics such as age, marital status, health, training, and experience. And the applicant answered the questions if he or she wanted the job.

Well, no more. Today's interview is a veritable minefield of potential legal liability. As a result of new federal and state laws and stricter enforcement of earlier ones, companies are more vulnerable than ever to lawsuits alleging discrimination in hiring.

"Any company can be sued," says Steven Gerber, a partner in Gerber & Solomon, a law firm in Wayne, N.J. "It takes very little for a job candidate to file a discrimination complaint with his or her local Equal Employment Opportunity Commission office."

An inappropriate question can land the company in court and result in a judgment requiring payment of damages and legal fees. Unfortunately, the laws on discrimination in hiring don't always make clear just which questions are prohibited. And the interpretations of laws change from time to time because of state and federal court rulings.

Here's an up-to-date summary of 10 of the most dangerous questions or topics you might raise during an interview:

1. Children. Don't ask applicants if they have children, or plan to have children, or have child care. Although an employer may merely be trying to determine whether the candidate will show up on time for work every day, any question that singles out a particular group—such as women—covered by Title VII of the Civil Rights Act of 1964 is banned. Title VII prohibits discrimination based on race, color, religion, national origin, or sex.

"Asking these questions assumes that caring for children is primarily the female's responsibility," says Elizabeth McIntyre, an employment attorney with Miller, Johnson, Snell & Cumiskey in Grand Rapids, Mich. "And, as a result, these inquiries will have more impact on women."

Suanne Tiberio Trimmer, a partner at

Clark, Klein & Beaumont in Detroit, which specializes in labor and employment law, says: "Even if you ask every man and woman the same questions, the problem arises from what you do with the answers. If you ask a man who cares for his children and he says, 'My wife does,' and he gets hired, and a woman says, 'Well, sometimes my mom watches the kids, and sometimes a friend does,' and she doesn't get an offer, she can press charges on the grounds of discrimination."

The key issue when interviewing prospective employees, labor attorneys agree, is to keep in mind why you're asking the question. "Your objective is to

To steer clear of discrimination suits by job seekers, rule out these 10 areas in your interviewing process.

"Don't forget that the application is considered part of the interview," says Gerber. He points out that many standard preprinted applications are out of date and contain unlawful questions. Legal experts suggest that before you ask anyone to fill out one of these documents you carefully review its questions with an attorney or suitable adviser.

Sometimes just asking the date the applicant graduated from high school can put you on shaky ground. "You're usually 18 when you finish high school, so it's easy to figure out how old someone is," says Tiberio Trimmer. "A more legitimate question is, 'Are you 18 or older?'" because candidates younger than 18 fre-



ILLUSTRATION: TRACI HARMON

hire someone qualified to perform the requirements of the job," says Tiberio Trimmer. "Not asking things that are peripheral to the work itself helps you to stay on the right side of the law."

2. Age. Don't ask an applicant's age. The Age Discrimination in Employment Act initially was written to outlaw age discrimination against anyone between 40 and 70 years old. Congress later amended the law to remove the 70-year-old ceiling to protect older workers against age discrimination. Thus, employers cannot ask either orally or on an application form a job applicant's birth date.

quently are required by state law to have working papers.

"You may have to inquire about dates of college graduation" if you want to obtain college academic records, says Thomas A. Bright, a partner in Haynsworth, Baldwin, Johnson & Greaves, a management and labor-law practice with main offices in Greenville, S.C. The law does not specifically prohibit requesting graduation dates, "but you'd better darn well have a reason to ask," he says.

3. Disabilities. Don't ask whether the candidate has a physical or mental disability that would interfere with doing the

Janine S. Pouliot of Green Bay, Wis., writes regularly about business issues.

MANAGING

job. The Americans with Disabilities Act, effective this year, prohibits employers from obtaining this information before making a job offer. (Employers with fewer than 15 workers are exempt.)

The law allows employers to explore the subject of disabilities only after making a job offer conditioned upon satisfactory completion of required physical, medical, or job-skills tests. If the tests disclose a physical or mental condition that may affect job performance, an employer may then ask the candidate about the condition.

But even if evidence of a disability does surface, employment cannot be denied if "reasonable accommodation" of the disability would enable the applicant to perform the job's "essential functions."

(For more details on hiring disabled people, see "Disability Rules Target Job Bias," in the June *Nation's Business*. To order reprints of articles on the disabilities law, see Page 67.)

4. Physical Characteristics. Don't ask for such identifying characteristics as height or weight on an application. "If it appears on the application form you use, just cross it off," advises Bright. The reasons? First, obesity conceivably can be considered a protected disability under the disabilities law.

In addition, some states may have specific restrictions prohibiting discrimination based on weight. Michigan, for example, passed the Elliott-Larsen Civil Rights Act in 1977. It expressly bars job exclusion because of weight, notes McIntyre. States maintain civil-rights offices that provide pamphlets and other materials explaining their laws, she adds.

5. Name. Don't ask a female candidate for her maiden name. This question is outlawed under Title VII of the Equal Employment Opportunity Act because it establishes a woman's marital status. "Here again," says Bright, "you must ask yourself what you intend to do with this information." If you need it to contact a former employer, it's better to ask every applicant, "Have you ever been known by any other name?"

Furthermore, a legal liability may exist if the interviewee claims you were trying to ascertain her ethnic background and then rejected her because of it.

6. Citizenship. Don't ask applicants about their citizenship. If you do, you're setting yourself up for a potential national-origin discrimination suit.

However, the Immigration Reform and Control Act does require business operators to determine that their employees have a legal right to work in the U.S. This does not mean they must be U.S. citizens but rather that they are obliged to furnish working papers certifying they can law-



fully be employed in the United States.

Companies are required to fill out and retain Form I-9, available from the Immigration and Naturalization Service, in case they are audited by the U.S. Department of Labor.

7. Lawsuits. Don't ask a job candidate if he or she has ever filed a suit or a claim

against a former employer. Under a variety of federal and state statutes, whistle-blowers and workers who have pressed charges against their firms are protected from retaliation by present and future employers.

8. Arrest Records. Don't ask applicants about their arrest records. An arrest in itself is not proof of anything. For a number of reasons, charges made during an arrest often don't stick.

What is significant is whether the candidate has ever been convicted of a crime. And you are entitled to request this information.

9. Smoking. Don't ask if a candidate smokes. In 23 states, it is illegal for employers to refuse to hire or retain smokers. Because there are numerous state and local ordinances that restrict smoking in certain buildings, Bright suggests a more appropriate question is whether the applicant is aware of the regulation and would comply with it.

Smokers are not protected under the disabilities act. But asking an applicant if he or she smokes might lead to legal difficulties if the person is turned down for a job and later claims the rejection was based on fear that smoking would drive up the employer's health-care costs.

10. AIDS and HIV. Never ask a job candidate if he or she has AIDS or is HIV-positive. These questions are in violation of the disabilities law and could violate state and federal civil-rights laws.

Finally, the Civil Rights Act of 1991 adds another twist to the volatile area of discrimination suits. Now, for the first time, cases may be tried by jury.

The implications for employers are enormous. "When judges hear these cases over and over, they get a better grasp of the technical ins and outs of the issues," says Bright. "But a jury only sees it for three or four days and may get caught up in the emotional aspects." (See also "How To Avoid Discrimination Suits," in the March *Nation's Business*.)

Consequently, employer costs could increase. Prior to the 1991 law, successful plaintiffs could receive back pay and benefits and, in some instances, compensation for lost future wages in lieu of reinstatement. Now, however, employers can be assessed for punitive damages as well. "These fines are intended to punish somebody for what an employee had to endure," notes Bright.

In short, when hiring, the best defense is a good offense. Pay close attention to what you ask.



To order reprints of this article, see Page 67.

A Scrap Over The Superfund Law

By David Warner

Some scrap-metal recyclers contend they are unfairly being held liable for pollution resulting from their customers' actions.

Scrap-recycling companies view themselves as part of the solution to some environmental problems. But the Superfund law on the cleanup of hazardous-waste sites views many such firms as part of the problem.

Scrap recyclers recently drew the attention of *Nation's Business* to the Superfund liability issue that has hit their industry especially hard. Their dilemma is that many of them are being held liable for pollution resulting from scrap materials they sold to parties that later disposed of waste related to those materials.

The Superfund law, officially titled the Comprehensive Environmental Response, Compensation and Liability Act, was enacted in 1980 to clean contaminated sites by requiring companies responsible for the pollution to pay cleanup costs.

The act's definition of polluters, however, includes "potentially responsible parties" (PRPs), which are further defined as companies that generate or arrange for the transportation, disposal, or treatment of hazardous substances. Under the law, a host of materials are defined as hazardous substances, including plastics and many metals.

Provisions of the law, administered by the Environmental Protection Agency, say no proof is needed that a PRP's materials or actions directly caused conditions requiring a site's cleanup. To establish a PRP's liability under the law, the EPA need prove only that a company was involved at a site, not that it was negligent in creating it. Another provision says PRPs can be held jointly or individually liable for all of a site's cleanup costs.

Many small companies are especially concerned about the statute's liability system and the broad definition of PRPs to include firms that "arrange for the treatment" of hazardous substances.

The Superfund law's liability provision can be "devastating" for small companies, says Jeff Zimmerman, a partner with the Washington, D.C., law firm of Newman & Holtzinger; its clients include PRPs.

The provision could be the death of many small recyclers, says Tom Wolfe, counsel and managing director of government relations for the Institute of Scrap Recycling Industries, in Washington. He says companies named as PRPs just don't know the amount of their liability.

Wolfe adds that nearly half of the institute's 1,800 members have been or



PHOTO: ALLOY WOLF-POLUS INC.

Copper, nickel, lead, and other materials handled by recyclers are defined by law as hazardous substances and can ultimately prove costly for these companies.

could be responsible for waste sites.

In one case, 800 companies, mostly small scrap recyclers, have been named as PRPs for selling hazardous substances—lead-acid batteries—to a now-bankrupt lead-refining firm that polluted a site in Pennsylvania. The EPA says the PRPs "arranged for the treatment" of hazardous substances. In fact, most of the involved firms merely collected discarded car batteries and sold them—sometimes through other companies—to the Pennsylvania firm. Cleaning up the site will cost an estimated \$35 million.

Says the owner of one recycling company in the case: "We do not have control over our consumers' storage procedures or processing methods, and, therefore, we should not be asked to fund the cleanup of a problem we did not create."

The Superfund law has involved many types of firms, such as chemical companies, fertilizer manufacturers, machine shops, metal fabricators, and even banks that lend money for property that later becomes polluted.

Has the law worked? Has it punished polluters and cleaned contaminated sites?

Often, the responsible polluter or one who contributed the most waste to a site is unable to pay because the company is out of business or insolvent, says attorney Zimmerman, and other PRPs are thus required to cover the cleanup costs.

The law is "universally unfair," he says. "It's a bad system. Unfortunately, for

many sites, it's the only system we have right now to clean them up."

As for cleanups, according to the EPA, only 84 of the 1,275 most polluted sites in the country have been cleaned in the 12 years of the law's existence. More than 200 sites are in the cleanup process.

Because many PRPs feel unfairly pegged as polluters and don't believe they should bear any of a site's cleanup costs, they often sue third parties—their suppliers—for part of the cost. And all parties usually look to their insurance carriers to cover them.

For companies unwittingly caught up in the Superfund law, the question is: Will the PRP system be changed when the Comprehensive Environmental Response, Compensation and Liability Act comes up for reauthorization in 1994?

"We're not likely to see the liability system go away," says Zimmerman. With 34,000 potential sites in the country and no cost estimate for the total cleanup, he says, Congress is unlikely to change the Superfund liability structure. **ND**

Tell Us Your Story

If your company has had experience with troublesome or unduly burdensome federal regulations, send details to Regulations, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000. Your account will be considered for use in future articles.

Small-Business Computing

The latest in E-mail; simplified scanning; and ergonomic mice.

By Ripley Hotch

E-MAIL

How To Stay In Touch Over The Network

As more businesses network their personal computers, they are finding uses for electronic mail, commonly called E-mail.

The term refers to a bundle of network "services" a little like telephone service. E-mail allows users to send messages and files directly to one another, to look at an electronic bulletin board, to work on scheduling (personal and group), and—in the most complex (and expensive) versions—to work on files interactively.

"Telephone tag was a major bottleneck in our company," says Richard Lee, vice president of information systems at First Insurance Co. of Honolulu. "We wanted to eliminate it and provide more direct service to our agents."

To solve the problem, the company bought Wizard Mail, a \$3,495 package created by H&W Computer Systems Inc., of Boise, Idaho (208-385-0336).

First Insurance agents are often separated by hundreds of miles of Pacific Ocean. Add that to the usual telephone problems (busy line, static, telephone tag), and E-mail has been a boon. The

Free-lance writer Chris Cohen contributed to this report.

E-mail system also makes it easier for agents to find answers for customers, so customer service has improved.

Beckwith Machinery, a Pittsburgh sales and service dealer in heavy equipment, installed Wizard Mail to speed communication from one shift to another.



PHOTO: SCOTT GOLDMETH

E-mail has improved communication at Pittsburgh's Beckwith Machinery, says programmer Lou Molina.

"Before E-mail, the different shifts left notes around or hoped someone let the next shift know what jobs were completed and what they should be working on," says Lou Molina, programmer/analyst at Beckwith. "Now they just leave a note on Wizard Mail, and no one has to worry."

You do not have to have a custom program, however. Lotus Development

Corp.'s **cc: Mail** or its high-end interactive **Lotus Notes** are widely available; these programs will also manage faxes, modems, and automatic interfaces to databases and other E-mail systems. That versatility means that all of these different devices can be used on the same phone line, or if you have separate lines, you don't have to have different programs to do each job.

One of the most capable of the E-mail programs is **BeyondMail**, from Beyond, Inc., of Cambridge, Mass.

This award-winning program allows you to set rules for sorting and forwarding mail, has a tickler that signals you with urgent messages, and routes messages to someone else if you are out or on vacation. BeyondMail begins at \$995 for a 10-user starter pack (617-621-0095).

Artisoft, the Phoenix, Ariz., manufacturer of **Lantastic**, is bringing out a new product that takes E-mail one step further: The Sounding Board has a telephonelike handset that lets you attach spoken notes to files in Windows 3.1. You could even put in a running commentary on a written document. (The price is \$99; phone 1-800-TINYRAM.)

Almost all the local area network packages include some kind of E-mail, though often they are limited. But network users find plenty of value in being able to keep in touch just by typing a message on the screen.

ERGONOMICS

A Mouse In The Hand

With ergonomics getting more attention in the workplace, Logitech is one of the companies aggressively hitting the market with products designed to lessen the impact of PC-related maladies. The firm's latest design is a second-generation **Trackman**, which houses a trackball in a case more akin to the shape of your hand.

Using a minimal amount of desk space, the Trackman uses three programmable buttons (for DOS or Windows), is Micro-soft-compatible, and lists for \$139 retail. The new design is supposed to make long

"mouse" sessions easier on your wrist and thumb.

The Trackman is an addition to the extensive new line that includes several variations of MouseMan products, including a cordless Mouse and even a Kidz mouse, a \$79 product that is clever in both design and name.

List prices of the MouseMan line range from \$119 to \$199, and the products come in both left- and right-handed models. There are even models for hands of different sizes.

One of the more interesting products to come to market is the Logitech **FotoMan**, a portable digital camera.

The FotoMan, which could easily pass for government issue on the Star Trek Enterprise, can shoot up to 32 black-and-white images, which are stored in internal



INFORMATION MANAGEMENT

A "Secretary's Secretary"

If you've been looking for a practical use for Microsoft's Windows 3.0, Alacrity's new product—also called **Alacrity**—may be it. A combination of add-in board and software, Alacrity offers the functions of a plain-paper fax machine, print manager (that speeds up Windows printing), scanner, image manager, and photocopier.

Alacrity achieves this by putting a graphics coprocessor and six megabytes of memory on the fax/modem board. That means it can store fax pages as they come in, printing them at once or holding them for later printing by compressing them on disk. You make your changes on the computer, and then you can rescan a fax

with your marks on it, and fax them.

The operation is simple, and it includes "inbox" and "outbox" symbols that will change color to notify you that a fax has arrived, or that the board is doing background processing.

The \$2,000 (list) product does not include the cost of the scanner and laser printer, but Alacrity estimates that you'll save the cost several times over because you won't need the extra memory and boards that you would with free-standing equipment.

The company announced at the big spring Comdex computer show that it would offer networking products to expand the capabilities of Alacrity to an entire work group.

Alacrity sells mostly through third-party vendors. For more information, call (908) 813-2400.

SCANNERS

An Easier Way From The Start

Scanning is one of those areas of PC technology where the perceived headaches seem to limit the application of what is potentially a most useful business aid. The new Hewlett-Packard **ScanJet IIp** is an attempt to simplify the process from start to finish. The IIp is a small, easy-to-install flatbed scanner that has plenty of advanced technology and can be used for scanning text or graphics.

Features include 256-level gray scale scanning at 300 dots per inch, a letter-size scanning bed, and Windows software for basic scanning and image retouching.

The IIp also contains two interesting technologies, TWAIN and AccuPage. They can work in combination to allow scanning even while you are running different programs (TWAIN) and to achieve vastly improved optical character recognition accuracy (AccuPage). Some optical character recognition (OCR) software, like Caere's OmniPage Direct, are optimized to work with the IIp's AccuPage technology, providing a comprehensive, low-volume OCR solution for under \$1,600 retail. The IIp lists for \$1,295.

—Jon Pepper

USED COMPUTERS

A Good Deed, And A Good Deal

We'd like to remind you about the **National Cristina Foundation**, which we mentioned in our April 1991 cover story on upgrading your computers. NCF accepts obsolete machines and provides them to rehabilitation and educational organizations that specialize in helping and training people with disabilities.

Yvette Marrin, president of the foundation, says that more than 50,000 people have been given access to computers at about 500 locations—but that's only scratching the surface of the estimated 43 million Americans with disabilities.

The foundation focuses on training, and it looks for commercially obsolete and surplus computers, software, peripherals, and audio and video equipment. Donations are tax-deductible. If you have equipment to donate, call 1-800-CRISTINA.

GRAPHICS

We Can Draw It For You Wholesale

Graphic artists generally agree that the two high-end art packages for the PC are **Corel Draw** and **Micrografx Designer**. And Corel and Micrografx trade the top spot in artists' affections as each new version leapfrogs the other.

But for simple drawings—to decorate a newsletter, for example—the two big packages are just too much (and too expensive). At the lower end, there are several good programs, and now Micrografx has introduced a less-complex version of its program called **Windows Draw**. It does all the basics and has an extremely generous collection of clip art. Granted, it doesn't have numerous fine-tuning goodies, but you don't want them at this level. It handles color capably and easily, and it limits its special effects to those you're likely to use most often.

At a list of \$149.95 and a street price below \$100, this is certainly worth looking at.

memory. You then plug the camera into your PC's serial port and transfer the "film" images using the included software.

Images can be edited using the Windows-based FotoTouch software, and then they can be printed as is or included in other Windows documents. The product can be put to great use for quickly adding photos to your documents.

The camera itself includes a built-in flash, rechargeable battery, filter, and other accessories. Picture quality is good, though certainly not at the level of 35mm or even higher quality point-and-shoot products.

The FotoMan retails for \$799 (including software), but you should find it discounted heavily.

A similar product (in black instead of white) is available from Dycam, coincidentally the manufacturer of the Logitech unit. However, the Dycam version is \$200 more expensive.

—Jon Pepper

A Mouse With A Point

One of Logitech's most aggressive competitors is Appoint, a fairly young company that has had interesting technology but not a very good marketing sense. Appoint began by making a "ballpoint mouse"—a trackball that looked like a pen. It works because Appoint's engineers managed to make the ball itself tiny and fit the mechanism into a device about the size of a fat ballpoint pen. This idea is dandy for people who use a mouse all the time but like the feel of a pen.

Now the company is improving on that device with the **Mousepen Pro** and adapting its miniaturizing skills to various other kinds of pointing devices.

One of these is Thumbelina, a tiny trackball that is easily held in one hand and is used as a control device in presentations. You can use the mouse to advance slides or scenes, to stop them, and (if the program allows) to point to areas of the screen.

Pen-based computing is not for everybody or for every application, but the Mousepen Pro brings the advantages of the pen to any program that uses a mouse. As many artists will tell you, drawing with the ordinary mouse is like drawing with a brick, and trying to hold a position while clicking the button can be frustrating and tension-building.

This mouse may be for you. Call 1-800-448-1184.



Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

INTERNATIONAL MARKETS

Exploring Czechoslovakia

My company is interested in expanding its market overseas, particularly into Czechoslovakia. Any ideas on how we can proceed?

J.S., Philadelphia



ILLUSTRATIONS: DAVID ALLEN

"During the Communist regime, it was very difficult for American businesses to get information on opportunities in our country," according to Zdenek Fischer, who heads the office for the Czechoslovak

Chamber of Commerce and Industry. In a letter to *Nation's Business*, Fischer said that his office, the U.S. Department of Commerce, and the Embassy of Czechoslovakia in Washington, D.C., are receiving "hundreds" of calls weekly from U.S. businesses interested in expanding into his country.

Fischer invites you to contact him directly for more information. Write to him at the Czechoslovak Chamber of Commerce and Industry, Regionalni Kancelar, Nadrazni 66, 701 00 Ostrava 1, Czechoslovakia.

The Central and East European Trade and Technical Assistance Center of the U.S. Chamber of Commerce can also help with information about how to enter business markets in Central and Eastern Europe and the Commonwealth of Independent States (the countries of the former Soviet Union).

The assistance center offers *Datafile*, a two-volume reference guide on the prospects of doing business in Czechoslovakia. The cost is \$42.50 for U.S. Chamber members and \$47.50 for nonmembers. Make checks payable to the U.S. Chamber or call (202) 463-5460.

PUBLISHING

By The Letter

I need information on what it takes to start a newsletter.

Is there an organization that might help me get started?

K.R., Lincoln, Neb.

"The secret to newsletter publishing is to find a very narrow niche market that you can report on in detail," says Mike Kibler, director of membership for the Newsletter Publishers Association.

He says there are 14,000 to 15,000 for-profit newsletters in the marketplace, with annual subscription rates ranging from \$29 to \$1,000.

Prospective subscribers come from list brokers, Kibler says. A good source is the *List, Production & Mailing Services Directory*, \$40, published by the Direct Marketing Association, 11 W. 42nd St., New York, N.Y. 10036.

The Newsletter Publishers Association offers a free publications brochure on newsletter publishing. It also has published *Success in Newsletter Publishing: A Practical Guide*, a \$39.50 book that contains guidelines for getting into the

QUESTION OF THE MONTH

Planning Your Business

Many small-business owners write a business plan only when they are going to their banker for a loan. Business-development experts suggest, however, that writing a business plan is an important part of ensuring the long-term success of a business.

Rhonda M. Abrams, a management consultant and author of *The Successful Business Plan: Secrets & Strategies* (Oasis Press), writes in her book that "the greatest beneficiary of [writing a business plan] is not your banker, investor, or accountant—it's you."

Eugene Kleiner, a venture capitalist, says: "With the first edition of your plan, you shouldn't even think about getting money. Use the planning process to decide if the business is really as good as you think it is."

Abrams and other authors who have

written books on business plans say that it's difficult for entrepreneurs to write a statement of what their business does. Abrams writes that "when you start or expand a business, more than your money and time are at stake; you risk your dreams as well. A good business plan helps you realize your dreams."

A basic outline for writing a good business plan should include an executive summary; a general description of your company, including your goals and locations; the products and services you offer and why they differ from others on the market; a marketing plan; a management plan; an operational plan; a financial plan; and appendices that include the resumes of key managers, product information, market research, and technical reports.

For more details, see two *Nation's Business* articles, both available as reprints—"Business Plans: Myth And Reality," August 1988 (No. 8718), and "How To Write For Money," November 1991 (No. 8864). For information on how to order these reprints, see Page 67.



Abrams' book, priced at \$21.95, covers the components of a business plan. It includes worksheets to help you write your plan plus a directory of sources for funding.

Another book on the subject is *How to Write a Successful Business Plan* (AMA-COM), by Julie K. Brooks and Barry A. Stevens. The authors rely on case studies to show how a business plan should be



for-profit newsletter business.

To place an order or to obtain more information, contact Kibler at the Newsletter Publishers Association, 1401 Wilson Blvd., Suite 207, Arlington, Va. 22209; (703) 527-2333.

For Comics Collectors

I am a collector of comic books and the owner of a comic-book store.

I am interested in finding out if there are any national magazines devoted exclusively to the retail side of comic-book collecting.

S.M., Enid, Okla.

Comics Retailer, published by Krause Publications, is a monthly trade magazine aimed at retailers of comic books and related products. A yearly subscription costs \$15. To order or to obtain more information, contact *Comics Retailer* at 700 E. State St., Iola, Wis. 54990-0001; (715) 445-2214.

researched, organized, and written.

How to Write a Winning Business Plan (Prentice Hall), by Joseph R. Mancuso, is aimed at teaching a person writing a business plan for the first time how to put thoughts on paper in an organized and useful manner.

For information on how to improve your chances of winning financing for your company, try *The Arthur Young Business Plan Guide* (John Wiley), by Eric Segal, Loren Schultz, Brian Ford, and David Carney.

According to those authors and other experts, the most important part of a business plan is the executive summary—the condensed statement of what the business is, what it does, and where it is going. Writes Abrams: "No matter how beneficial your product, how lucrative your market, or how innovative your manufacturing techniques, it is your executive summary alone that persuades a reader to spend the time to find out about your product, market, and techniques."

FINANCIAL COUNSELING

Getting Into Debt

I am an accountant, and I am interested in getting into the personal-debt counseling business.

I think there is a market, but I don't know how to charge for this service. I need some guidance.

R.C.J., Manistee, Mich.

If you are interested in doing financial planning as part of your debt-counseling service, consider following the academic path for becoming a certified financial planner (CFP).

You would study tax management, employee benefits, investments, insurance, and estate and retirement planning.

These subjects are offered at colleges and universities, and such a program can take up to two years.

You also could enroll in a CFP course of studies at a college or university and take the certification exam.

For more information on the CFP course and exam, call the Board of Standards and Practices, a national certifying organization in Denver, at (303) 830-7543.

Marv Tuttle, director of communications for the Institute of Certified Financial Planners, in Denver, says most CFPs charge \$75 to \$100 per hour for that service.

BUSINESS ORGANIZATION

Is It A Franchise?

We have gathered a group of auto-related repair shops that offer discounts to employees of large firms in the area.

We charge a one-time \$5 processing charge for an identification card and a handbook showing listings. [Auto] shops pay fees to our company on repairs completed.

We've been told we may fall under franchise rules. Is that true?

J.D., Mountain View, Calif.

To see if the business arrangement of your repair shops meets the complex legal requirements of a franchise, you should get in touch with a qualified franchise attorney.

According to franchise experts, there are two essential elements of a franchise arrangement. These are the licensing of a trademark and the payment of \$500 or more to the franchisor by the franchisee for the use of that trademark.

The experts also say that if you exercise significant control over, or provide significant assistance to, the franchisee, you are operating a franchise.

For more information on the organizational structure and other elements of franchising, see "Is There A Franchise In Your Future?" in the June *Nation's Business*. To order a reprint of the article, No. 8892, see Page 67.

CONGRESSIONAL CONTACTS

How To Reach Washington

I am a sole proprietor of a small consulting firm, and I want to find out the best way to reach members of Congress. Any suggestions?

L.I.S., Seattle

The U.S. Chamber of Commerce offers *A Guide to Communicating With Members of Congress*.

The brochure discusses how and when to make your point of view known to federal lawmakers, and it contains pointers on writing effective letters, using mailgrams and telegrams, and meeting with lawmakers and their staff members.

It costs \$3.75 for U.S. Chamber members and \$4.25 for nonmembers. Order publication No. 0252 from Publications Fulfillment, the U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000; 1-800-638-6582.

Also available from the Chamber at the address above is a pamphlet, *How to*



Communicate With Your Congressional Representatives.

It contains suggestions for communicating with federal lawmakers and includes a calendar of traditional congressional recesses as well as sources of more information.

The first 99 copies are free; copies above that number are 10 cents apiece.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102.

Writers will be identified only by initials and city. Questions may be edited for space.

The editors of *Direct Line* have developed *The Small Business Resource Guide*, which contains answers to the questions we are asked most frequently. The booklet is available for \$5.95 a copy (plus \$1 for handling).

To order, send a check or money order to the Circulation Department at the address above.

For Your Tax File

How to keep taxes from overtaking you.

By Albert B. Ellentuck

TAX AUDITS

What You Should Do If The IRS Comes Knocking

Although a federal tax examination is no fun for anyone, it can be particularly difficult for the small-business owner.

If you receive a notice from the Internal Revenue Service, don't panic. You should first read the notice carefully. It may be about a correspondence audit, which asks for documentation—such as receipts or other information—about the items specified in the notice.

Or it may be a notice for an office audit, which requires you to visit the IRS office and bring documentation for the specific items listed in the letter of notification.

If it's a notice for a field audit—the type we normally think of as an IRS examination—the IRS agent will visit the business's location and may examine any or all of the firm's records.

Keep in mind that an audit that may begin as an examination of a small-business owner's individual return may end up as an audit of the business's return as well, because the tax aspects of both are so interrelated. In other words, if you are a business owner and receive a notice of an examination of your individual return, you should also prepare for an audit of your business return.

Whether you can handle the tax examination alone or should seek professional help depends on the type of audit, the tax problems involved, and the type of information the IRS requests.

For a correspondence audit, it would be advisable to discuss the IRS request with the business's regular accountant. If there are some difficult technical issues or some problems in substantiation, the accountant will want to review the materials carefully before they are furnished to the IRS. If serious tax issues are or could be involved, hiring a tax attorney may be wise. Leave that to the judgment of the accountant.

The same holds true if it is an office



Keep good records to answer the IRS.

audit. You should discuss with the accountant the specific items requested in the notice. If the accountant thinks there is no problem, you may handle the audit alone. Usually, however, it's best to take the accountant along to the audit; sometimes the accountant might prefer to go alone. Again, let the accountant decide.

The field audit may be handled in various ways. The accountant may conclude there are no problems and may advise you, as the business's owner, to supply whatever records the IRS agent requests. On the other hand, if there is a problem inherent in the return, such as an aggressive position that was proper but that nevertheless could be disallowed, the

accountant may want to be present at the audit to deal with the agent personally.

If the accountant advises you to go alone to an office audit, or to handle a field audit at your place of business without the accountant present, a number of guidelines should be kept in mind:

- Have all the requested documentation ready and in proper order, and don't volunteer anything that has not been requested.

- Don't agree to issues on a piecemeal basis; wait until the examination is over, and then negotiate a total settlement. Otherwise, the bill may be much larger than expected.

- You are permitted to check with your accountant or attorney during an examination.

- If you don't immediately have the answer to the IRS agent's question, the answer can be delayed.

- If during the examination you decide to have your accountant or your attorney present, the examination can be postponed until the accountant or attorney is available.

- The tax examination is not an inquisition, and you have very substantial rights as a taxpayer. The IRS agent must advise you of those rights, and certainly your accountant and tax attorney will know them as well.

EXPENSES

Deducting The Cost Of Fighting An IRS Audit

The cost of preparing the business returns of a corporation or partnership is fully deductible. But what about the deductibility of the costs of preparing business schedules for an individual return?

In our May 1991 column we said these costs (a portion of the total fee for preparing the return) should be fully deductible in determining adjusted gross income. But the IRS initially maintained that such a deduction would be subject to the 2 percent floor on miscellaneous deductions. The agency recently relented, however. Now, if your preparer itemizes your bill, the business portion is fully deductible, as we said.

Similarly, the costs of fighting a tax examination—such as fees for accountants or lawyers—are fully deductible by corporations and partnerships, but the

IRS had opposed full deductibility for a sole proprietor or investor regarding the business portions of the return. But here again, the IRS has changed its mind. The portion that applies to the business schedules of the tax-examination cost would be fully deductible—that is, not subject to the floor of 2 percent of adjusted gross income, as are other deductions.

Keep in mind that the deductible percentage of total costs for the tax exam may not be the same as for the cost of preparation.

Thus, for example, if an accountant spent 25 percent of his or her time preparing the business schedules for a sole proprietor's individual return and 75 percent on the remaining portion, 25 percent of the fee would be fully deductible. If, however, 60 percent of the accountant's time was spent on IRS challenges to deductions on Schedule C, 60 percent of the fees for handling the examination would be deductible.



Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

CHILD CARE

Can You Trust The Hand That Rocks Your Child's Cradle?

If you and your spouse are working parents and you must hire someone to provide child care, how can you find someone you can trust? How much will help cost?

"Rather than try to do the nanny screening yourself," Weaver says, "you're much better off working through a well-established agency." The agency's fee for the screening and placement of a nanny with you may be \$1,000 to \$2,000, but Weaver and other child-care experts say it's well worth it.

According to Marla Sanders, president of the International Nanny Association (INA), "Many nanny agencies check a candidate's personal employment references, verify previous child-care experience, do criminal-record checks—sometimes with fingerprints—and require blood tests or complete physicals."

There are, basically, two kinds of live-in helpers—nannies and au pairs. Strictly speaking, nannies are paid to care for children, and au pairs perform a service, like caring for a child, in exchange for something, like free room and board. The terms are often used more loosely.

Experienced care givers are frequently called nannies and, depending on their professional records, can command \$250 to \$400 a week. The less-experienced are often called au pairs and get from \$100 to \$175 a week. Both types usually receive free room and board. Many au pairs are foreigners, ages 18 to 20, who come into

this country on special cultural-exchange visas. They help with the children and do light cleaning, but their work time is restricted, and they can stay no longer than one year because of U.S. immigration laws.

"Americans have taken over the au pair name," says INA's Sanders, "and they can do the same kind of work without having the limitations that apply to foreigners on visas."

In general, au pairs—foreign or American—are not as well screened and not as well trained as professional nannies. You get what you pay for.

At last count, according to the INA, there were some 75,000 professional nannies and 20,000 au pairs registered with various agencies. Many thousands more have not been officially screened.

You can get some helpful hints on how to look for a nanny or an au pair and on what questions to ask, along with a partial listing of agencies, in the May issue of the *Boston Parents' Paper*. Send \$2 to: *Boston Parents' Paper*, P.O. Box 1777, Boston, Mass. 02130.

You can also get an information packet on how to choose a nanny by sending a self-addressed, stamped envelope to the International Nanny Association, P.O. Box 26522, Austin, Texas 78755-0522. For \$15, you can get the INA's directory of nanny and au pair agencies.



PHOTO: GUYAN PETERSON—THE STOCK MARKET

An au pair may help with children.

Betsy Weaver, publisher of the *Boston Parents' Paper*, says, "Parents are really jittery about this after they've watched that movie, 'The Hand That Rocks the Cradle,' a film about a vengeful nanny."

TELEPHONE SERVICE

Long-Distance Discounts

If you have a small business or have a residential long-distance phone bill of \$100 or more a month, you might save money by joining a discount long-distance group. Typically marketed by telephone salespersons, these third-party long-distance companies claim to offer rates lower than those of major long-distance telephone companies.

There are two basic types of discount companies—aggregators and rebillers, says Robert Self, author of *Long Distance For Less* (Market Dynamics). Aggregators buy blocks of time at a significant discount from big companies and sell access to user

groups, passing on some of the savings. Users are billed and serviced by the long-distance carrier. Rebillers pull together groups and then buy long-distance circuit time at a discount; customers are billed and serviced by the rebillers.

"Before you buy into a new service," Self says, "check your current long-distance company for special rates. They're offering new discounts for all sorts of service needs."

And if you're approached by a discount, Self adds, ask these questions:

- Which big carrier's service are you buying?
- Who does the billing—the third-party company or the big carrier?
- Are all long-distance calls included (intrastate, interstate, and international)?
- Whom do you call if you have a service problem?
- Do you have to make a commitment for any length of time?
- If the third party goes out of business, will you be liable for money the third party may owe the supplier?

MORTGAGES

With Rates Lower, Should You Refinance—Or Renegotiate?

When you refinance your mortgage to take advantage of the drop in interest rates, you have to go through a painstaking qualification procedure (credit and income checks plus appraisal) and then pay for a long list of closing charges (title search, lawyer's fee, transfer fee, and so on).

Wouldn't it be a lot simpler and less expensive if you could just renegotiate the interest rate with the lender without having to take out another loan from scratch?

It's possible to renegotiate instead of refinance, but it's usually not easy—and the savings may not be large. "In New York state, we can modify an existing mortgage with a lower rate," says Ivan Kaufman, spokesperson for Arbor National Mortgage, in Westbury, N.Y., "but



Peter Weaver is a Washington-based columnist on personal finance.

it's mainly done to avoid the mortgage tax." You still pay most of the normal closing fees.

The biggest obstacle to renegotiating or modifying existing mortgages is that, more often than not, they have been bundled together and sold to investors as securities.

"We have an obligation to our investors to maintain interest rates as long as possible," says Bonnie O'Dell, a spokesperson for the Federal National Mortgage Association, a quasi-governmental organization based in Washington, D.C., that buys mortgages for investors in order to support the housing industry.

"However," O'Dell says, "we will renegotiate a new rate for a mortgage if the borrower is in financial difficulties" of the kind that can arise from a lost job or big medical bills.

If your mortgage is with a bank or savings institution that keeps mortgages for its own investment portfolio, you might have a chance to renegotiate rather than refinance.

"They would rather renegotiate than lose your business," says Paul Havemann, a spokesperson for HSH, a mortgage-industry service company in Butler, N.J., "because it costs more to get a new mortgage back from somebody else."

To see if you can renegotiate or otherwise get a less expensive, streamlined refinancing deal, you should start with whoever is servicing your present mortgage.

"If they can't save you time and money by renegotiating," says Steve Strachan, editor of *National Mortgage News*, a New York-based industry paper, "they might be able to eliminate or reduce some of the refinancing charges."

If you have to move on to another lender, shop around. You might find one that will cut the closing costs to get your business. There's plenty of competition in the mortgage marketplace.

INVESTING

The Line Between Discount And Full-Service Brokers

Have you carefully checked your brokerage statements lately? If you have, you may have noticed some extra fees for "postage and handling" or increased commissions for shares bought or sold.

But there's a silver lining. "If you have a fairly large account or trade frequently," says Mark Skousen, author of *Scrooge Investing* (Dearborn Financial Publishing), "you might be able to get a discount on the [broker's] commission charges."

You can help your cause considerably by shopping around to see what kinds of deals other brokerage firms are offering. "When you can quote a specific discount," Skousen says, "you're in a much stronger bargaining position."

If you purchase mutual funds through your broker, you might be able to knock down the sales commission by 10 to 20 percent.

"Nobody is going to voluntarily give you discounts," Skousen says. "You've got to ask."

Investors who gather their own information on various stocks or funds and don't need much, if any, hand holding by a broker should consider working with a discount firm.



PHOTO: GUY WELLS/FOCUS INC.

If you're a savvy investor, a discount brokerage can make sense.

"You can save as much as 70 percent in commissions," Skousen says, "by using discounters instead of full-service brokers." By getting quotes from several discounters, to make sure that you're getting the best deal for the kind of trading you'll be doing, you can save even more.

"Some of the large [discount] firms," Skousen says, "even do trading in no-load [no-commission] mutual funds."

You can switch from one fund company to another with just a phone call, and sidestep all the paperwork.

And the service charge is less than 1 percent.

CREDIT

Look Before You Leap When Changing Credit Cards

The ad or mailer looks enticing. A credit-card issuer is offering a low interest rate or no annual fee.

Before you make the switch, however, be sure to check out the way the card issuer calculates your interest. Otherwise, you might end up paying twice as much in interest charges as you're paying now.

"A lot depends on how you use your credit," says Mary Beth Butler, a spokesperson for Bankcard Holders of America, a nonprofit consumer organization based in Herndon, Va.

For example, if you always pay your credit-card bill on time and rarely run a

balance, you can go for a lower rate without worrying about how the card issuer calculates the interest.

The Discover card and a number of bank cards that offer relatively low interest rates might suit you fine. But if you keep a running tab, those cards might cost more.

That is because those credit-card issuers use the two-cycle (two-month), average-daily-balance method to calculate finance charges. Most card issuers calculate the charges over one month (one cycle), which usually ends up costing you less—assuming you have a running balance, as 70 to 75 percent of card holders do.

Some credit-card issuers may offer an

attractive interest rate, but when you read the fine print, you find that their credit cards don't give you a grace period (usually 25 days). When you charge something, the interest starts accruing right away.

That's fine if you're always running a balance anyway, but not good if you're accustomed to paying off the entire bill every month.

To sum it up, Butler offers these guidelines:

■ If you usually have a running balance, look for the lowest interest rate calculated on a one-cycle billing system.

■ If you rarely have a running balance, look for cards that charge no annual fee and provide a normal grace period.



N90792

WEIGH YOUR EARNINGS\$

the best weight-loss program just got better



PROFIT POTENTIAL:
\$1200/wk
and up!
LOWEST PROCESSING FEES EVER
UP TO 500% PROFIT
PRIVATE LABELING:
Your company name or ours

Full/Part Time
NO Experience
Become a licensed dealer for only \$485, if you qualify

CALL NOW
1-800-942-9900

ext. 25

FREE mail-out packet



grab hold of OPPORTUNITY

Saf-T-Grip

**make \$850/week & up
no experience necessary**

Anyone can make money with Saf-T-Grip: homemakers, students, professionals, blue collar workers, retirees, unemployed. This UL-approved product virtually eliminates slips/falls and can be applied almost anywhere: homes, commercial bldgs., hotels, pools, etc. **Be your own boss:** let others do the work while you collect the profits! Let us show you how to become a licensed dealer for only \$499, if you qualify. For a **FREE** booklet:

Call 1-800-272-3847 ext 35

Earn \$5,000 Per Month



Making Personalized Children's Books

Turn a small investment into that profitable full or part time business you have always dreamed about!

An excellent home operated business! Books sell fast in stores! At fairs! Parties! Malls! Or mail order... anywhere there are people. It's easy to make \$4,000 to \$8,000 per month making and selling our exciting line of personalized books (for children & grown-ups.) Personalized audio tapes and stationery available also.

Find out how to build a business of a lifetime!

Call (214) 353-9999

TODAY!

or write



My Very Own Book, D&K Enterprises, Inc.
3216 Commander De Soto, 101, Dept. 15 Carrollton, TX 75006

Circle No. 37 on Reader Service Card

Earn \$4,000 Per Month From Your Home With A Computer!



FREE CBSI 486 SX Computer run, a computer — we will provide free, home office training. Financing available.

Find out how other couples, and individuals like yourself, are building a lifetime income!

To receive your free cassettes and color literature, call toll-free:

1-800-343-8014, ext. 32

(in Indiana: 317-758-4415) Or Write:

**Computer Business Services, Inc., CBSI Plaza, Ste. 32,
Sheridan, Indiana 46069**

Circle No. 5 on Reader Service Card

Start your own business for **just \$495**
Be your own boss

Make up to 300% profit every time you perform this valuable service!

Become a part of the 84th fastest growing, privately held company in America (Inc. Magazine, 12/88) and provide a much-needed service that is more in demand today than ever before!

Bring our scholarship/financial aid matching service to the attention of students and their parents through a number of proven methods.

- ✓ work full time or part time
- ✓ work from home
- ✓ establish a successful business with a minimal investment

See if you qualify.
For more details and no obligation

CALL TOLL FREE
1-800-346-4500



Academic Guidance Services, Inc.

1500R Commerce Parkway
Dept. NB7
Mt. Laurel, NJ 08054



This extraordinary program provides a sense of "security" by providing a complete identification of a child should an emergency occur.

- A Business You Can Be Proud Of
- Full or Part Time
- Continued Dealer Support
- Turnkey Package - Computer, printer, software, ID system supplies and training just \$4995.00

CALL TODAY for FREE INFORMATION 214-353-9999
3216 Commander Dr.
Suite 101, Dept. #2
Carrollton, TX 75006

KID SECURE	
Child's Name	Mr. F.
Child's Address	100/21/96
Child's Birth Date	11/01/91
Child's Birth Place	Blue Hill, 46in. 45
Child's Parent's Name	John and Jane Smith
Child's Parent's Address	2500 Lakewood Lane
Child's Parent's City	Dallas, TX 75220
Child's Parent's Phone	(214) 353-9999
Franchise	Dr.



Circle No. 54 on Reader Service Card

ENTREPRENEURS WANTED...

...to operate a most needed and unique service business in their own areas. For 8 years, we have helped companies save tens of thousands of dollars on their everyday business expenses. Even with purchasing agents and buyers, most companies are grossly overpaying for such items as Office Supplies, Printing, Cleaning & Maintenance Supplies, Overnight Express Service, Office Equipment and many others.

We search out new suppliers and negotiate with existing ones. Working entirely on a contingency basis, we receive fifty cents of every dollar saved over a twelve-month period. No savings, no fee.

We are now offering the training and guidance to provide this much sought-after service in your area. Our proven, copyrighted system can net \$2,500 or much more per case, and several cases each month are not unusual. Talk to our present associates doing this and more, part-time and full-time.

If you're seeking a six-figure income and have \$10,000 in start-up capital available, get the facts on this year-round, recession-proof business. Call today for full-color booklet and free videotape hosted by Steve Allen.

EXPENSE REDUCTION ANALYSTS, INC.

Toll Free (800) 782-1050
Or (314) 997-5500



Personalized Children's Books

- Earn Money At Home
- Make Money With Your Computer
- Print Personalized Children's Books
- Superb Quality • Unbeatable Price

Dealerships \$ 995

Best Personalized Books, Inc.™

3107 Chapel Downs Dr.
Dallas, TX 75229

For Information Kit Call:
(214) 357-6800

Circle No. 51 on Reader Service Card

Own your own scholarship consulting business.

15 million students desperately need help in locating money for college every year. Let us show you how to earn an excellent income matching students to over 28 billion dollars in scholarships, grants, and student aid programs.

NO EXPERIENCE NEEDED

We train you step-by-step

- Immediate income.
- Operate part-time or full-time directly from your home.
- Can be conducted by "direct mail". you never need to see a student.

only \$495.

(initial start up costs)

CALL TODAY FOR FREE INFORMATION PACKAGE

1-800-553-1310

ask for ext. 75

or write

MONEY FOR COLLEGE

11846 Balboa Blvd.

Granada Hills, CA 91344

THIS FRANCHISE SERVICES OVER 45,000 CARS A DAY NATIONWIDE



Join Jiffy Lube
the Largest
Fast Oil Franchise

For Details:
1-800-327-9532



Franchises available,
minimum requirements
\$300,000 net worth
and \$100,00 cash.



MOTOR OIL FEATURED
AT MOST OUTLETS

Circle No. 44 on Reader Service Card

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
\$56	\$50	\$43	\$30	—line rate

Ad minimum: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

ADVERTISING/PUBLIC RELATIONS

FREE NATIONWIDE T.V.

Product/invention in celebrity infomercial. Per inquiry opportunity. Set-up fee: 714-558-5782.

ADVISORY SERVICES

TRADEMARK SEARCHES. EXPEDITED REGISTRATIONS. Keep your good name! Intent-To-Use Applications. Brand-name creation. TRADEMARKERS 301-229-7777.

LOOK. INCREDIBLE WEALTH SECRETS; WEALTH LETTERS: Now you can know how to be wealthy—\$3.00. G. Heishman (He-is-h-man), 1947 SW 72nd St., Gainesville, FL 32607.

AUTOMOTIVE

LEASING—Any Make or Model car, truck or specialty vehicle to businesses and consumers. Professional Consulting Service. 800-944-0227.

SEIZED CARS, trucks, boats, 4-wheelers, motorhomes, by FBI, IRS, DEA. Available your area now. Call (800) 338-3388 Ext. C-1389.

BOOKS/PUBLICATIONS

Better ads for \$c/day! Tips & techniques for persuasive ads, letters, brochures in Advantage Point newsletter: \$20/yr. Fax w/MC/VISA 800-424-0143. Advantage Point, 80A Belvedere St., San Rafael, CA 94901. 415-485-6969.

BUILDINGS

STEEL BUILDINGS: From HERITAGE. America's largest metal building distributor. 5000 sizes available. Call today with your building size for the lowest prices in the country. 1-800-643-5555 or fax: 501-945-2255.

BUSINESS OPPORTUNITIES

INCREASE SALES WITH 800 LINE AND CREDIT CARDS. Telerep 800 is the only 800 line Sales Response Service that answers 800 lines, sells products, stores/ships & then pays you via receipts from major credit cards. Monthly minimum only \$65.00. Write Sandie Olson, Telerep 800, P.O. Box 156, 7431 Balto-Annapolis Blvd., Glen Burnie, MD 21060. Or call: 800-638-2000. Our 20th year of successful selling for others. Canada: 800-678-4560.

Become a mail-order guidance counselor...

Use our computers to match students to scholarships. (No experience necessary—we do the computer work.)

We offer you the prestige opportunity to earn vast amounts of money assisting families who desperately need your help. \$495 required if accepted. Up to 300% profit—millions of names available yearly.

1-800-346-4500

ACADEMIC GUIDANCE SERVICES

©2000 Cambridge Press, Dept. NE, NJ, Leawood, NJ 08044

BUSINESS OPPORTUNITIES

HEALTHCARE PRODUCTS! "Your own" 48 page catalogs do the selling! 350 products at 100% mark-ups. VPI, Box 0818NNG, Freeport, NY 11520.

INCREASE YOUR CASH FLOW

Turn your dead inventory into cash. Large and small, we buy all. DJ Liquidators. 800-882-2112.

HOW TO FINANCE Your New/Existing Business. Federal & state grants to \$500,000. Many purposes! Details \$1.00. FedFunds, Box 880663-NB7, San Diego, CA 92168.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. W1559, Woodland Hills, California 91367.

BE YOUR OWN BOSS! 1001 fast, easy ways to make money! Free! Rush name, address. Money Making, Dept. NB, Box 2, Studio City, CA 91614.

"SELL MONEY." Become a Loan Broker! Free details. Dept. NB-234, Financial Planning, 126 13th St., Brooklyn, NY 11215, 718-768-6803, Ext. 200 24 Hrs. FAX 718-960-3400.

1-900 OPPORTUNITY. Get started in the exploding 5 Billion 1-900 telephone industry now. No equipment needed. Begin cashing in immediately. Your own national 900 program. For free brochure: 1-800-695-8014 24 hrs.

Booming Business

Service-type business of the 90's. Evening & weekend work, up to \$300/hr part-time. Can work full time if desired. \$2900 & good credit gets you started. 1-800-328-4050 Mr. Crenshaw.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 61, Montvale, NJ 07645.

GO PUBLIC

Business owners, if your sales exceed \$30 million, we can show you how to go public through a new, innovative procedure that results in real financing power. Call J.R. Krepps at 800-543-8620, or writer Joseph Walker & Sons, Inc., Drawer 88, Walker, WV 26150.

**LOOK CLOSELY.
YOUR OWN
BUSINESS... \$495!**



► Diet Guidance International is now offering qualified individuals the opportunity to own their own Computerized Weight Loss Business. This revolutionary new Weight Loss System allows people to choose the food they like, and our computers provide them with personalized weight loss plans. If accepted, DGI will provide you with complete training and support and a unique marketing system. In addition, DGI will do all your computer processing.

This lucrative opportunity may be conducted on a full-time or part-time basis, even in the convenience of your home. DGI will provide all computer services, under your own company name. This allows you to realize up to 300% profit each time you provide this valuable service.

**If you are selected,
\$495 is all you need to
start your own business!**

Diet Guidance International will provide you a quality service business with a potential market of well over 48 MILLION overweight and health oriented individuals as well as the professional sector.

SEND FOR A FREE BROCHURE TODAY!

Diet Guidance International™

2131 Pierce St., Ste. 5, N87, San Francisco, CA 94115

OR CALL TOLL FREE

1-800-776-4347

BUSINESS OPPORTUNITIES

LET THE GOVERNMENT FINANCE your small business. Grants/loans to \$500,000. Free recorded message: 707-449-8600. (H52)

BECOME A REAL ESTATE APPRAISER. \$100,000 plus potential. Home study. Earn professional designation. Free literature. 800-362-7070. Dept. RH637.

#1 MONEY MAKER Spare Time! No selling! No inventory! Publicly documented seven week \$19,919 income! Free audio cassette and report reveal everything. Real Money, 911-KB Bryant Place, Ojai, CA 93023.

AMERICAN DREAM

Nationwide business & invest. opportunities. Interested in buying or selling a business/property. No broker commission. 1-800-777-8838 Fax: 714-435-3607. Promatch Adv.

MAKE MONEY WITH FOREIGN INVESTORS. Top finder's fees paid. Dept. 792NB1, THE GLOBAL EXCHANGE, 419 N. Newport Blvd., Ste. B, Newport Beach, CA 92663-4271. 714-722-9260.

EARN QUICK CASH: Buy Sell Government seized houses, autos, computers, boats, furniture, stereos, etc. Everything dirt cheap. Free Details: Seizures, Box 51488-BN, Ontario, CA 91761.

THE MARKETING OF THE FUTURE IS NETWORKING. The product of the 90's is Health. Together these can mean financial freedom for you. For info with no obligation call: 1-800-828-4231. Fax: 1-602-285-9470.

\$179.00 is all it takes to set you up in a HIGHLY PROFITABLE dealership! UNLIMITED INCOME! Sell a NEEDED PRODUCT! Amazing, changeable message banners. Free details. INPROMARK, 5980 Gilmore Drive, Fairfield, OH 45014.

MAKE YOUR DREAM COME TRUE. EARN \$60,000 YEARLY REPAIRING, NOT REPLACING, SMALL CRACKS IN WINDSHIELDS. TOLL FREE 1-800-825-8523 (US/Canada) or write: GLASS MECHANIX, INC., 5313 Nob Hill Rd., Sunrise, FL 33351.

BELIEVE IN YOURSELF

Join the ranks of America's Entrepreneurs

TAKE THE FIRST STEP Towards FINANCIAL INDEPENDENCE.

Become a Comp-U-Diet DEALER if you qualify. \$485 provides PROFIT POTENTIAL of \$1,200/week & up.

No experience necessary.

We do all the computer processing.

CALL NOW for a FREE mail out booklet

1-800-942-9900 Ext. 303 M-F 9-5 EST

United American Marketing, Inc.

28003 Center Oaks Court, Wixom, MI 48393

BUSINESS SERVICES

BIG DISCOUNTS ON LONG DISTANCE SERVICE
BUSINESS CALLS &/OR CALLING CARDS
CALL THE COMSELL NETWORK: 1-800-526-LONG (24HRS.)

For development studies in South and South East Asia US Consultants may write to PPCIL, 57/D Beitoa Road, Calcutta 700025, India.

PATENT ATTORNEY in Boulder, CO provides quality patent services for individuals & companies nationwide via mail at affordable fixed fees. Call John Flanagan: 303 449-0884 or fax 303-449-3532 for free info. about services.



**CROSS OUT THE
CROOKS**

Use HONESTY TEST instead of POLYGRAPH.

CROSS OUT crooks before you hire

Learn How POS Corp.

Box 48232, Chicago, IL 60648 or

1-800-621-4008.

**Entrepreneurs, Accountants,
Marketers, Creative People
1-800-Voice Mail
Guaranteed Leads As Low
As \$10.00 Per Month
1-800-237-3713**

CARPET

CARPET-VINYL-HARDWOOD. BUY DIRECT & SAVE 50-70%. All Major Brands. Select brand, style, color. 1-800-548-5815. Free samples. TC Distributor, Dalton, GA.

CARPET - Save up to 50% & more on major brands. We also manufacture our own beautiful styles. For information & samples, call 1-800-848-7747. Dalton, Georgia.

BUY DIRECT FROM MANUFACTURERS. Builders, architects, interior designers, construction companies, individuals welcome. Custom quality carpets, carpet tile, for home or business. Fibers from Dupont, Daltrom, Monsanto. Samples \$10, refundable on purchase. Call collect: 706-278-6991, LB Carpets, POB 4717, Dalton, GA 30721.

**Buy Direct. Save 40 to 50%
Barrett's "CARPET MILL STORE"**
(A MILL OWNED OUTLET)

BIG SAVINGS — All qualities business and home carpets. All major fibers including Dupont Stainmaster(DM), Allied Anso V Worly Free(R), Monsanto Wear Dated StainBlocker(R). Call, visit, or write requirements, with \$10 for samples (refundable upon return or purchase.) 1-75, ext 135, (3004 Parquet Rd.) P.O. Box 2045, Dalton, GA 30722. Ph: 1-800-241-4064, ext. 79, GA: 1-800-447-2114.

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World

FEATURING CARPETS OF ANSO V WORLY-FREE
"Built-in Resistance to Stain, Soil, Static, & Wear"
Call or write for brochure and samples. **BECKLER'S CARPET OUTLET, INC.,** P.O. Box 9, Dalton, GA 30720. Call 800-232-5537. Established 1949.
Buy direct from mill outlet and save!

COMPUTERS/ACCESSORIES/SOFTWARE

NEW! UNIVERSAL MEMBERSHIP MANAGEMENT SYSTEM FOR PC. Membership, letters, planning, attendance, billing, contributions - Clubs, Organizations, Churches 1-800-945-1266/903-876-2224.

FLEXIBLE BENEFITS. Why waste money on fees? Administer your own Flex plan with our software & administration kit. Aaro Systems, 1023 Lendee, Nisswa, MN 56468. 800-932-5216.

EDUCATION

FREE VIDEO External BA/BS, MS/MBA, PhD/LAW - Accredited. Financial Aid. 800-759-0005, ext 615. LASALLE UNIVERSITY Mandeville, LA 70470-4000.

FINISH BA/MS/MBA/PHD/JD by con. CityUnivLA, 3960 Wilshire Blvd., LA, CA 90010. Degree Prog. for orgs/co's. 50 sem. hrs. req'd. 800-262-8388/213-383-3801.

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 years of legal training. **FREE CATALOG.** 1-800-826-9226. **BLACKSTONE SCHOOL OF LAW,** P.O. Box 671449, Dept. NB, Dallas, TX 75287.

Fully Approved University Degrees!

Economical home study for Bachelor's, Master's, Ph.D., **FULLY APPROVED** by California Superintendent of Public Instruction. Prestigious faculty counsels for independent study & life experience credits (5000 enrolled students, 400 faculty). **FREE INFORMATION** — Richard Crews, MD (Harvard), President, Columbia Pacific University, Dept. 5092, 1415 Third St., San Rafael, CA 94901. Toll free: 800-227-0119; CA: 800-552-5522 or 415-459-1650.

**Reach more than
850,000 subscribers
with your ad in
Nation's Business
Classifieds**

**Call 1-800-424-6746
for more information**

EDUCATION

LEARN PERSONAL COMPUTERS. Become an expert. Approved home study. **FREE** career literature. 800-362-7070, Dept. KH637

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. **SOUTH-WEST UNIVERSITY,** 2200 Veterans Blvd., Kemmer, LA 70062. (800) 433-6925 or 433-5923.

EMPLOYEE BENEFIT PROGRAMS

Affordable, FLEXIBLE BENEFIT PLANS. 3 account options. Self-administered, manual, enrollment materials, video, documents, & software. Free consultation. 800-444-1922.

EXECUTIVE GIFTS

*****WATCH REPLICAS/ORIGINALS*****
LOWEST PRICES NATIONWIDE! 2 Year Warranty! Exact weight! 18KT Plated! (404) 963-3872. Cartier, others. Repairs, Accessories-60%!

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgemoor Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

IMPORT/EXPORT

ASIAN MANUFACTURERS JOURNAL.
A complete Asian products guide for importers. Write: G.P.O. Box 5217, Hong Kong, or Fax: (852) 897-5087, Attn: Joseph, for details.

GLOBALNET USA
Is a DOS based data base & information manager with over 2,100 pieces of information & contact sources for international trade. Similar to data base used by export assistance centers throughout U.S. **MICROMEDIA,** 1845 Post Rd., Rm 1, Warwick, RI 02886. 401-738-3989.

INVENTIONS

INVENTORS! Can you patent and profit from your idea? Call **AMERICAN INVENTORS CORP.** for free information. Serving inventors since 1975. 1-800-338-5656.

INVENTION, IDEA, NEW PRODUCT ASSISTANCE
Presentation to industry, National exposition.
1-800-288-IDEA.

INVENTORS: We are a full service marketing and patent development company for inventors. Call TLCI for free information/inventors Newsletter: 1-800-468-7200, 24 hrs/day - USA/Canada.

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free hour cassette. Write or call today: Melvin Powers, No. Hollywood, California 91609. (818) 765-8618.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for **FREE** catalog. First National List Service. TOLL-FREE: 800-621-5548 FAX: 1-312-275-4057.

REAL ESTATE

REPOSSESSED VA & HUD HOMES available from government from \$1 without credit check. You repair. Also SAL bailout properties. CALL (800) 338-3388 Ext. H-1687 for repo list your area.

SALES AND MARKETING

BEST WAY TO SELL YOUR PRODUCT/SERVICES-UN-
imate Sales & Mktg Software-Ideal for Telemktg. Dr. Mail-Special Promo-Various Stats. **FREE INFO:** 800-925-4484.

PREMIUMS & INCENTIVE GIFTS

WATERLESS COOKWARE. Factory direct. 17 piece, 5-ply set. Normally \$1,199. Factory direct only \$399! Brochure: 1-404-478-9502. Factory Warehouse, 2851 Skye Terrace, Duluth, GA 30136.



**Timely
Reminder**

Special Promotional Offer—\$19.50
Send us your color logo (stationery or business card). We'll reproduce it on this deluxe quartz watch. Limit: 3 per customer at \$19.50 per watch (plus sales tax CA only).

GREAT AMERICAN IMAGES
One Waters Park Drive, Suite 213 - NB
San Mateo, CA 94403 (415) 358-0800

IMAGE BUILDERS

Promote your business...Everyday low prices on...



EMBROIDERED CAPS AS LOW AS \$4.45
IMPRINTED COFFEE MUGS AS LOW AS \$1.29

Choose from hundreds of items.
CALL FOR FREE CATALOG

1-800-792-2277
FAX 1-510-786-1111
THE CORPORATE CHOICE



CUSTOM PRINTED CUPS

As Low As 5c Ea.

Plastic, Styrofoam, Souvenir

Effective, Inexpensive Advertising
LOW MINIMUM • FAST DELIVERY

For Full Price List and Free Samples, Please Call
800-275-4663 EXT. 35
FAX 305-922-0875

TELEPHONE EQUIPMENT

AT&T MERLIN PHONE SYSTEMS & all others. *Finow.* Copiers, fax, typewriters, cash registers, time clocks, check writers, less than 1/2 price. Brochure: 800-999-TELE.

TELEPHONE SYSTEMS buy/sell. Save up to 50% on components, telsets, etc. Specializing in Mitel, Premier, Comdial, InterTel, Voice Messaging and Remote Programming. Call 1-800-CALL-ETT, Ext. 109 to save big.

TIMESHARES

BUYING/SELLING TIMESHARE
or Campgrounds? **AMERICA'S #1 GUARANTEED.** 1-800-777-8836. ProMatch Advertising.

Where I Stand

On Workers' Compensation

Results of this poll will be provided to leaders of Congress and the Bush administration.

Send the attached postage-paid response card. Or you can circle your answers, fill out the coupon below right, and fax this page to (202) 463-5636.

See related story, Page 22.

1.

Are workers' compensation costs a growing problem for your firm?

- 1. Yes
- 2. No

2.

Has your state enacted workers' compensation reforms in the past two years?

- 1. Yes
- 2. No
- 3. Don't know

3.

If your state has enacted reforms, do you expect them to lower your workers' comp costs significantly?

- 1. Yes
- 2. No
- 3. Don't know
- 4. Not applicable

4.

Are fraud and malingering driving up your workers' comp costs?

- 1. Yes
- 2. No
- 3. Don't know

5.

Should employers have the right to direct injured workers to managed-care networks for medical treatment?

- 1. Yes
- 2. No
- 3. No opinion

6.

Should state workers' compensation laws require that disputed claims be submitted to mediation rather than to courts?

- 1. Yes
- 2. No
- 3. No opinion

Send For Free Product Information

Indicate the advertisers from whom you want more, free information. For faxing, circle the company name. If you mail the postage-free card, circle the product-information number on the card that corresponds with the company name in the listing below.

- BellSouth Corp. 4
- Best Personalized Books 51
- Buick Motors 2
- Compaq Computer Corp. 21
- Computer Business Services 5
- Hewlett-Packard Printing Systems 57
- Jiffy Lube International 44
- Kid Secure of America 54
- My Very Own Books 37
- NSF International 34
- Office Mates 12
- Palmetto Economic Dev. 40
- Professional Displays, Inc. 23
- Ryder Truck Rental, Inc. 30
- US Sprint 14
- Varco-Pruden Buildings 9

Fill out coupon below if you fax your response.

Number of employees at your firm: _____

Name _____

Title _____

Company _____

Address _____

City _____

State _____

ZIP _____

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Phyllis M. Barrier

Travel Can Be Costly In Health As Well As Dollars

American business travelers make around 170 million trips a year—and in many cases, they pay for their travel not just with dollars but with bodily discomfort of many kinds.

A recent survey of several hundred business travelers found that 62 percent had suffered from some physical ailment on a trip during the previous year. The top five ailments: upset stomach, headaches, heartburn/indigestion, diarrhea, and constipation.

Twenty percent reported that they had to cut a trip short because of a health problem related to their travel. Twenty-five percent said their productivity was diminished by an illness.

Considering how much money goes into business travel—around \$100 billion this year—business travelers should be prepared to prevent and treat travel ailments. It all starts with the basics: nutrition, exercise, and sleep.

High-fat meals or overeating can bring on indigestion. It's important to eat moderate portions, watch fat, and try to eat on approximately the same schedule as you do when you're home. Eating a high-fat meal late in the evening and then trying to fall asleep can spell trouble.

It takes extra effort and thought to follow the rules of good nutrition when you're traveling. In general, try to select a wide variety of foods that have plenty of fiber (fruits, vegetables, and whole-grain products).

For breakfast, choose hot or cold cereals with low-fat milk, pancakes, English muffins, or bagels with little or no added fat. For lunch, choose fish, skinless poultry, or lean red meat that has been baked, broiled, or grilled. A baked potato and a salad on the side would also be nutritious.

If you're eating at a fast-food restaurant, try a low-fat grilled chicken sandwich with a side salad. Pick up fruit, a nonfat fruited yogurt, or pretzels for a snack. Dinner might consist of pasta with a red sauce and a vegetable or salad.

Be sure to drink lots of water when you're traveling—otherwise, you run the

warm to room temperature. Thus, to reduce the risk of diarrhea, eat hot foods when they're hot and cold foods when they're cold. Avoid raw or undercooked meats, fish, shellfish, and eggs.

If diarrhea does develop, take an over-the-counter diarrhea remedy. Ask your doctor to recommend one, and carry it with you. To restore yourself to normal, start with soups, bouillon, or broths served hot—they contain salt, which diarrhea depletes. Also, drink plenty of fluids.

In addition, don't forget to take medication as prescribed. According to a recent survey, one in five people forget to take prescription medications when traveling; one in eight runs out of the medication; and nearly one-third skip doses. The consequences can be serious, especially when chronic illness is involved.

To avoid such consequences, follow these rules: Keep medications with you at all times (don't leave them in checked luggage); bring enough medicine to last the entire trip; review your dosage schedule with your doctor before your trip, especially if you are changing time zones; and take a list of your prescriptions with you, in case you need a refill.

Another significant routine that should be maintained on

business trips is exercise. This can be particularly important because it can help relieve tension that builds up in meetings (and that may be exacerbated by flight delays and missed connections). Travel tends to disrupt exercise routines, but it doesn't have to be that way if you devote yourself to exercise that doesn't require special equipment.

After all, you can walk or run or do calisthenics just about anywhere. Swimming is also good.

In general, adhering to routines of all kinds is a good idea when you're traveling. Getting your usual amount of exercise will help you sleep, for example, as will eating meals and going to bed at your normal times (as much as time-zone changes will permit). In short, don't confuse your body any more than you can help.



PHOTO: CHARLES FEL—UNEPHOTO

Breakfast on the road should be as nutritious as your meals at home.

risk of the headaches that are sometimes the result of dehydration. Not just any liquid will do: caffeine-containing drinks and alcohol act as diuretics. Adequate fluid intake, combined with adequate fiber intake, can prevent the constipation that so often occurs on trips.

When diarrhea strikes, it is a symptom of some other problem, not an illness in itself. Sometimes diarrhea is the result not of infection but of stress, excitement, or a change in diet; the classic "traveler's diarrhea," though, is caused by bacteria found in food or water, or by a virus.

Diarrhea-causing organisms can multiply in foods that are allowed to cool or

Phyllis M. Barrier, M.S., is a registered dietitian and nutrition consultant in the Washington area.

Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.

Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Three Good Ideas On Foreign Trade

Certain aspects of an international-trade bill pending in the House of Representatives would improve U.S. companies' ability to do business overseas. According to the U.S. Chamber of Commerce, H.R. 5100, the Trade Expansion Act of 1991, would be beneficial in three ways.



ILLUSTRATION: RICHARD GAGE

Introduced by House Ways and Means Committee Chairman Dan Rostenkowski, D-Ill., the bill would modernize the administrative procedures and requirements of the U.S. Customs Service. It would do so by expanding the use of electronics and automation, streamlining customs enforcement procedures, and bringing about other reforms that would improve efficiency in customs processing for firms engaged in international trade.

This bill would also extend "Super 301" authority to designate priority foreign trade barriers. Super 301 was a provision of the Omnibus Trade and Competitiveness Act of 1988 that has expired. Extending the provision would allow the federal government to continue to use a tool that has proven helpful in opening foreign markets to U.S. goods and in establishing trade-liberalization agreements.

The Office of the U.S. Trade Representative (USTR) currently monitors foreign compliance with trade agreements and can initiate investigations of violations, but it is not required to do so. By extending the Trade Agreement Compliance Act, H.R. 5100 would ensure the credibility of trade agreements by establishing a punctual USTR review process for alleged violations.

While the U.S. Chamber does not endorse some aspects of H.R. 5100, U.S. businesses and the economy would benefit from the adoption of these three provisions.

Contact your representative and urge enactment of customs-modernization proposals and extension of Super 301 and Trade Agreement Compliance Act authority to the federal government.

Reviewing The Law On Product Safety

An effort in the U.S. House of Representatives to rewrite the key federal consumer-safety law threatens to disrupt seriously a process that is currently working.

According to the U.S. Chamber of Commerce, H.R. 4706, the legislation to revise the Consumer Product Safety Act, contains a number of ill-founded provisions. Thus, a simple reauthorization of the act would be far preferable to the pending bill.

Reauthorizations traditionally have created opportunities for legislators to alter an existing law.

Currently, because of assurances of confidentiality in the act, companies are willing to share trade secrets with the Consumer Product Safety Commission (CPSC). This disclosure enables the commission to do its job more effectively than it might without those secrets.

H.R. 4706 would reduce these assurances of confidentiality by allowing other federal agencies to review trade secrets held by the CPSC. Such a provision would significantly increase the chances of inadvertent disclosure of trade secrets.

H.R. 4706 would also grant the CPSC authority to force a manufacturer to provide all its prototypes for products under development. The CPSC already is allowed to obtain samples of products at cost.

H.R. 4706 would go a step farther by allowing the agency to acquire any and all such items—not just samples—at no cost.

Another proposed change—in the CPSC's process for collecting civil penalties—would add an unnecessary layer to the CPSC bureaucracy, increasing the costs of the agency's operation and decreasing efficiency.

Contact your representative to urge opposition to H.R. 4706 and support for a simple reauthorization of the Consumer Product Safety Act.



Limits On Damages Should Be Consistent

Some members of Congress want to remove any limit on the amount of damages that businesses can be held liable for in civil-rights cases involving women and the disabled.



In effect, they are trying to renege on an agreement reached last year between President Bush and congressional leaders. The president agreed to sign the Civil Rights Act of 1991, contingent on the bill's including a statutory limit, or "cap," on certain kinds of damages in discrimination cases involving women and the disabled.

Proponents of removing the caps say women and the disabled are being treated unfairly because their access to damages in civil-rights cases is limited, while blacks and other minorities have access to unlimited damages.

According to the U.S. Chamber of Commerce, all persons should be treated equally, but the best way to accomplish this is to have the same damages cap in all cases, not to remove all damages caps in all cases.

American society is becoming increasingly litigious. Costs of litigation have an adverse impact on U.S. consumers by increasing prices on goods and services. With today's economic realities, the U.S. civil-justice system must be made more rational, the Chamber says.

Unlimited damages—removal of all caps—expose innocent employers to increased liability and potentially huge damage awards. In contrast, capping all damages in civil-rights cases is a rational and constructive solution to a problem that goes far beyond the interests of employers.

Contact your representative and senators and urge opposition to the elimination of civil-rights damage caps. At the same time, urge them to support an alternative that would cap all damages in civil-rights cases at the same limit—\$300,000.

Editorial

Not Voting Is Not A Solution

Disaffection, distrust, and even despair fester in the electorate as the election campaign progresses.

It is a sad but understandable development. Government flounders in the face of massive threats to the nation's economic and social foundations. Massive debts are piled upon future generations. Elected officials can scarcely agree on the nature of underlying problems, much less solve them.

A principal result of this bleak situation is the "none-of-the-above" syndrome. Subscribers to that theory believe that an incumbent is so entrenched that a vote against that individual is meaningless. Or they think that no one under any label on the ballot can deal effectively with the issues important to the grass roots. They see not voting as a demand for reforms that will give voters a clear-cut choice on Election Day.

This view of the role of voting follows a long decline in the numbers of those who cast a ballot. The ranks of the dropouts unfortunately include a significant representation of business people. Forty percent of eligible voters in the managerial/professional category did not vote in the 1990 congressional elections.

But the business people who have turned away from the political system are as wrong as the rest of this movement in thinking that inaction on Election Day is the antidote for inaction in Washington.

If American business people want a responsible and responsive Congress, they must act to achieve that goal. They must vote themselves. They must conduct workplace programs urging their employees, who have an equally important stake in the preservation of the enterprise system, to register and vote.

There is substantial assistance available to employers in these efforts. The U.S. Chamber of Commerce and the Vote America Foundation are working together to help American businesses organize programs to encourage employees to register and vote.

Registration guides are being sent to the 2,985 state and local chambers and 1,300 trade associations that are members of the U.S. Chamber. These guides include materials to help those organizations with their registration and voter-turnout drives.

Through the campaign, the U.S. Chamber and Vote America will also contact the 195,000 businesses that are members of the U.S. Chamber with information on voting.

Leaders of the two organizations are optimistic about the project. Says Richard L. Lesher, president of the U.S. Chamber: "The business environment offers American business people unique opportunities to educate and encourage employees to register and vote. Our partnership with Vote America will enable us to reach thousands of businesses with proven techniques to make sure that the voice of the business community is heard."

And Linda Leinbach Mays, executive vice president of Vote America, comments: "This partnership allows us to combine our experience in developing corporate voter-participation programs along with the U.S. Chamber's tremendous network of business organizations."

It is important that business people recognize that voter-turnout campaigns are not activities above and beyond their normal business concerns but are very directly linked to the day-to-day conduct of their enterprises.

The question of easing or increasing the tax burden is one of the critical business issues at stake when members of Congress are chosen.

Voters also decide at that point what kind of spending, regulatory, energy, trade, and other policies will follow from that election.

And business people who fail to vote must also remember that their apathy plays into the hands of organized labor.

Election of a Congress that adopted the labor agenda would mean more of the tax, spending, and regulatory excesses that plunged the economy into the recession.

One measure of labor's seriousness about achieving its agenda is the 89 percent increase—to \$35.5 million—from 1980 to 1988 in funds raised by union political action committees. Labor's ability to staff phone banks and provide publicity, printing, and other services adds many millions more to its support of its candidates.

Anti-business forces are well aware that the battle over public-policy issues is won or lost in the voting booth. Business people too lazy, apathetic, or unconcerned to vote must learn that lesson. It is later than they think.



PHOTO: JOSEPH BORN—THE STOCK MARKET

All Americans should vote to preserve the enterprise system.

Free-Spirited Enterprise



ILLUSTRATIONS BY ARON COWEN

Firecracker Fourth

To get your Fourth of July off with a bang, **Sun Hill Industries**, of Stamford, Conn., offers Boom-ers. These mock fireworks are 1½-inch-by-3½-inch air-filled silver pouches decorated in red with blue stars and stripes.

Stomp on one of these noise makers, and it explodes with a boom. Sorry, no flares.

Each packet contains 16 Boom-ers and sells for \$2.99. For more information, call (203) 324-7550.

On The Beach

The **Beach Buggy**, from **Beach Buggy Products**, of Delray Beach, Fla., is designed for those of us who bring a week's worth of gear for an afternoon at the beach.

The buggy looks like a lounge chair with raised wheels. In fact, it's a lounge, a chair, and a handcart in one.

As a lounge, the Beach Buggy extends to 4½ feet. Lower the middle leg, and you have a chair.

Invert the lounge, and it becomes a handcart. The wheels meet the sand, and the front leg turns into the platform for carrying all your

gear. The cart can carry 50 pounds.

The Beach Buggy has a steel frame and a blue nylon covering. An opening in the fabric provides the handle.

The buggy costs \$39.95 plus shipping.

For more information, call 1-800-226-BUGGY.

Call Before You Go

When you're on the road for business or pleasure, you can find many of the travel-related numbers you'll need in *The Phone Booklet*.

This 8-page pamphlet, from **Scott American Corp.**, of West Redding, Conn., lists



toll-free numbers for selected car-rental companies, hotels, airlines, airport transportation firms, credit-card compa-

By Janet L. Willen

nies, and tourist offices in the U.S. and abroad. The brochure costs \$2 for shipping and handling. For more information, call (203) 938-2955.



A Bean For Each Season

Jelly beans are not a seasonal food, but **Herman Goelitz Candy Co. Inc.**, of Fairfield, Calif., maker of Jelly Belly, has a recipe for each season.

For a hot summer day, the company suggests you eat one lemon jelly bean together with a cotton-candy bean for a taste of pink lemonade.

In the winter you can add a toasted marshmallow Jelly Belly bean to a cup of hot chocolate.

Some recipes take more effort. Easter breakfast rolls call for a filling of walnuts, cinnamon, sugar, margarine, and 76 halved beans. And cranberry muffins are baked with cranberry beans, available from October to December only.

For a copy of the assorted recipe books, call 1-800-522-3267.

Money Management

Craig Rhyne of Seattle thinks kids are never too young to learn the value of a dollar.

Rhyne's **Monthly Money Allowance & Responsibility System** for Kids & Teenagers is designed to teach children, ages 6 to 18, to budget, shop wisely, save, and accept responsibility. The kit includes a manual for parents.

The basis for the system is an agreement signed by children and their parents. It suggests the children's allowances and what chores they must do to receive them.

Monthly allowances range from \$40 for 6-year-olds to \$115 for 18-year-olds.

In general, the money is earmarked as follows: 10 percent for savings; 10 percent for charity; 35 percent for clothing (except for shoes, socks, and underwear); 35 percent for entertainment (movies, videos, Nintendo); and 10 percent for gifts.

The kit has cash pockets for stashing the money and a calendar and record-keeping book for kids to plan and keep track of income and outgo.

Monthly Money costs \$29.95 for the standard edition and \$39.95 for the deluxe edition, which comes with a vinyl portfolio, solar calculator, and mechanical pen and pencil. For more information, call 1-800-547-4848.

For parents who still need to learn the value of a dollar, a Monthly Money kit for adults is in the works.



"The last thing I need is to spend my whole day fighting with a printer."



—David Berry, IPN, Ltd., Chicago, IL

"Especially when you're a small firm, you can't waste time hassling with your printer," said David Berry of IPN, which creates software for the legal profession. "We've found the HP LaserJet very reliable and trouble free. Most of our clients also prefer using HP LaserJets. It's the standard for our market."

When you're on a tight budget, the HP LaserJet IIP *plus* is the printer to put your money on. At just \$1,249*, you get more than

great print quality, quick printing and quiet operation. You also get great HP reliability and exceptional customer support.

For example, the LaserJet Customer Assist Line is staffed with experts to advise you after the sale. They'll help you take full advantage of all the HP LaserJet printers' unique features and answer your hardware and software questions.



To learn more about the most affordable HP LaserJet printers — the IIP *plus* and IIP — call 1-800-LASERJET (1-800-527-3753), Ext. 3041 for a free video.

HP LaserJet Printers.



*Suggested U.S. list price.
© 1992 Hewlett-Packard Company PE12254

Circle No. 57 on Reader Service Card

PICKUP

DESCRIBING THIS TRUCK TAKES SOME VERY STRONG LANGUAGE.

Powerful. Substantial. Tough. Hard-Working. Industrious. Durable.

Authoritative. Capable. Mighty. Trustworthy. Rugged. Sturdy.

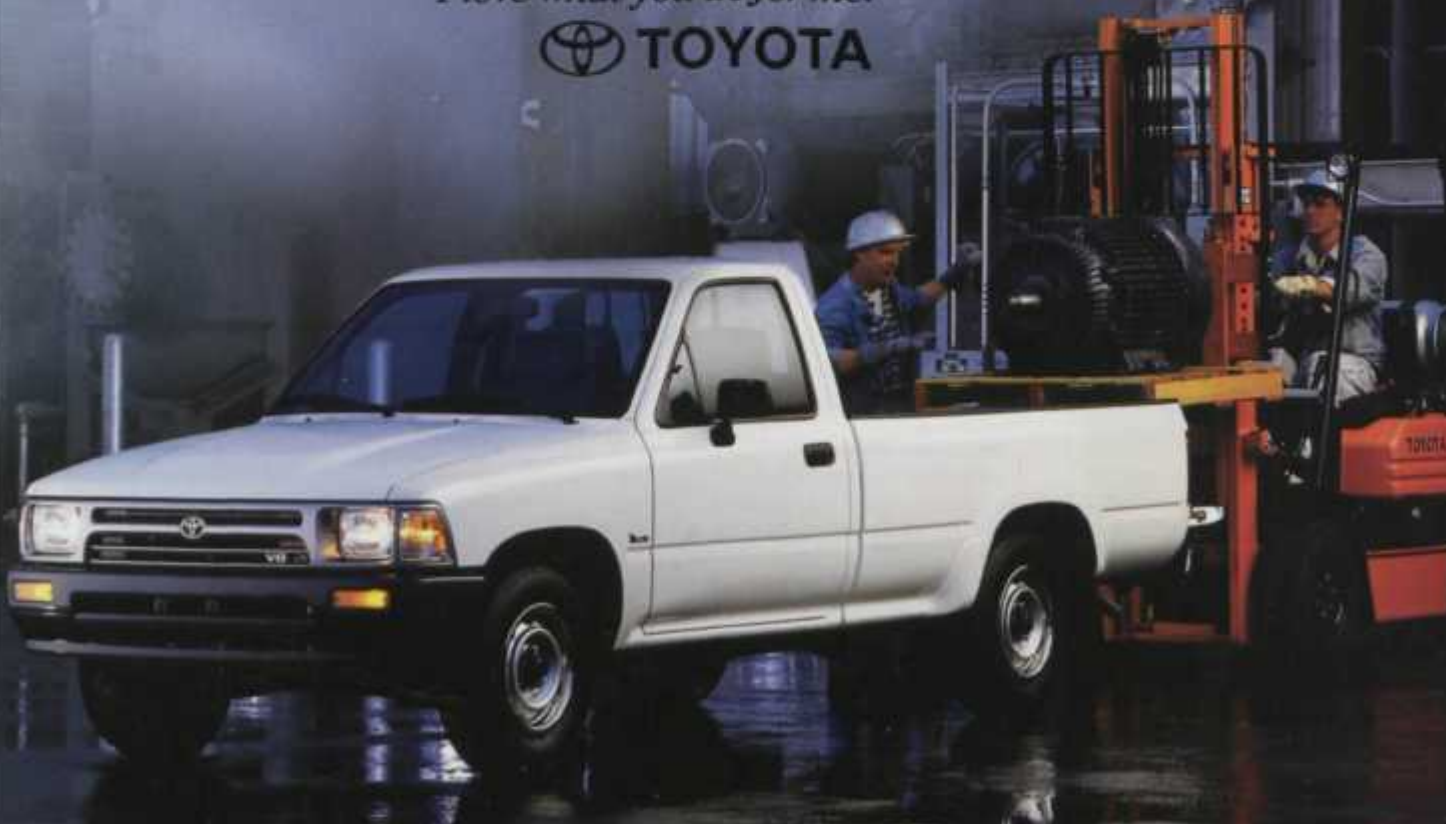
Toyota One Ton Trucks inspire such images because they're loaded with a high level of standard features, like a 30-liter V6 150 horsepower engine with electronic fuel injection, plus a payload capacity of 2,610 lbs.* and towing capacity of 5,000 lbs.** But the strongest thing you can say about a Toyota is that its legendary reputation for reliability is tough to beat. And that's why Toyota One Ton owners also are described with some pretty potent words, like on-time, dependable and responsible.

Call 1-800-GO-TOYOTA if you'd like a truck brochure or the location of your nearest dealer.

"I love what you do for me."



TOYOTA



*Including occupants, equipment and cargo. **Not to exceed a GVWR of 8,600 lbs. Requires additional 3,000-lb. weight-carrying frame-mounted Class III tow hitch. Get More From Life... Buckle Up! © 1991 Toyota Motor Sales, U.S.A., Inc.